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# NATIONAL TAXPAYER ADVOCATE

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## FISCAL YEAR 2014 OBJECTIVES

### Report to Congress



YOUR VOICE AT THE IRS



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## I. Preface

### Honorable Members of Congress:

The Internal Revenue Code requires the National Taxpayer Advocate to submit two annual reports to the House Committee on Ways and Means and the Senate Committee on Finance.<sup>1</sup> The National Taxpayer Advocate is required to submit these reports directly to the Committees without any prior review or comment from the Commissioner of Internal Revenue, the Secretary of the Treasury, or the Office of Management and Budget.<sup>2</sup> The first report, due by June 30 of each year, must identify the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year.<sup>3</sup>

### The Taxpayer Bill of Rights: A Framework for Effective Tax Administration

Over the last few months, the Internal Revenue Service has been the center of public attention for several reasons, most notably its scrutiny of politically active social welfare organizations seeking recognition as tax-exempt entities. The public attention to these recent events has in many ways reinforced many taxpayers' preconceived perceptions of the IRS as an agency that treats taxpayers unfairly. While all this is grievous enough and in fact calamitous for public respect for and compliance with the tax laws (because once lost, trust takes a very long time to be regained), these events are symptoms of broader problems festering at the IRS.

There is much that is good about the IRS – indeed, I have the deepest respect for the agency and its workforce, even when I vigorously disagree with the IRS's actions or policies. But today, the IRS is an institution in crisis. In my view, however, the real crisis is not the one generating headlines. The real crisis facing the IRS – and therefore taxpayers – is a radically transformed mission coupled with inadequate funding to accomplish that mission.<sup>4</sup> As a consequence of this crisis, the IRS gives limited consideration to taxpayer rights or fundamental tax administration principles as it struggles to get its job done.

I've written elsewhere about the behavior this inadequate funding drives in the IRS – namely, a widget-based approach to tax administration, getting work done in a way that allows as little interference as possible to the employees charged with doing the work.<sup>5</sup> Interference is viewed as any number of things – interactions with taxpayers, intervention by the Taxpayer Advocate Service (TAS), even proposed process improvements that require learning new steps or approaches. Anything that can be automated to eliminate taxpayer

1 Internal Revenue Code (IRC) § 7803(c)(2)(B).

2 IRC § 7803(c)(2)(B)(iii).

3 IRC § 7803(c)(2)(B)(i).

4 National Taxpayer Advocate 2010 Annual Report to Congress 15 (Most Serious Problem: *The IRS Mission Statement Does Not Reflect the Agency's Increasing Responsibilities for Administering Social Benefits Programs*).

5 Nina E. Olson, *A Brave New World: The Taxpayer Experience in a Post-Sequester IRS (the Laurence Neal Woodworth Memorial Lecture)*, Tax Notes Today 106-118 (June 3, 2013).

interaction and move work along will be automated. The result is a tax system that gives short shrift to the legitimate needs of taxpayers and their specific circumstances.

A tendency toward dehumanization arises in any large bureaucracy and requires constant monitoring and action to keep it in check so the organization retains its human touch. In the tax world, the greatest tools we have to guard against dehumanization are the principles enunciated in a Taxpayer Bill of Rights (TBOR).<sup>6</sup> It may be tempting to dismiss a TBOR as some sort of gimmick, but a TBOR is no more a marketing device than is our constitutional Bill of Rights. In a 2012 survey commissioned by my office, only 46 percent of U.S. taxpayers said they believed they have rights before the IRS, and only 11 percent said they knew what those rights were.<sup>7</sup> While Congress has enacted three pieces of legislation called TBORs, each containing specific rights and remedies, these acts are not statements of broad, overarching principles similar to our constitutional Bill of Rights. How will taxpayers (including IRS employees) avail themselves of their statutory rights if they don't know they have rights or what their rights are?<sup>8</sup>

For this reason, I have repeatedly recommended that Congress enact a Taxpayer Bill of Rights that takes the dozens of existing taxpayer rights embedded in the Internal Revenue Code and groups them into ten broad categories, modeled on the U.S. Constitution's Bill of Rights. These "rights," in substance, would be labels designed to make existing rights clearer and more accessible to taxpayers and IRS employees alike.

The 10 categories of "rights" I have recommended are as follows:

1. The right to be informed.
2. The right to be assisted.
3. The right to be heard.
4. The right to pay no more than the correct amount of tax.
5. The right of appeal.
6. The right to certainty.
7. The right to privacy.
8. The right to confidentiality.
9. The right to representation.
10. The right to a fair and just tax system.

6 For a detailed discussion of my legislative recommendation for a taxpayer bill of rights, see National Taxpayer Advocate 2011 Annual Report to Congress (Legislative Recommendation: *Enact the Recommendations of the National Taxpayer Advocate to Protect Taxpayer Rights*) 493-518; and National Taxpayer Advocate 2007 Annual Report to Congress (Legislative Recommendation: *Taxpayer Bill of Rights and De Minimis "Apology" Payments*) 478-489. See also National Taxpayer Advocate Blog, *Why We Need a Taxpayer Bill of Rights* (Feb. 15, 2012), at <http://www.taxpayeradvocate.irs.gov/Blog/why-we-need-a-taxpayer-bill-of-rights>.

7 Forrester Research, Inc., *The TAS Omnibus Analysis*, from North American Technographics Omnibus Mail Survey, Q2/Q3 2012, 19-20 (Sept. 17, 2012).

8 See Area of Focus: *TAS Works to Ensure Taxpayers Know Their Rights and Obligations*, vol. 1, *infra*.



A TBOR would act simultaneously as an organizing principle for tax administrators, an educational framework for IRS employees, and a consciousness-raising document for taxpayers. It would provide a significant check and balance against government overreaching. Moreover, a foundational taxpayer bill of rights would more clearly expose the gaps in our statutory or administrative construct (*i.e.*, where we lack remedies for violations of our rights).

### IRS Actions and Inaction with Respect to 501(c)(4) Organizations Violated Eight Out of Ten Taxpayer Rights

As we discuss in our *Special Report* accompanying this Report to Congress, if the IRS Exempt Organizations (EO) function had operated in accordance with the TBOR I've proposed over the years, it would have had procedures in place to provide protections against the management and other failures Treasury Inspector General for Tax Administration (TIGTA) identified as harming taxpayers.

As we describe in our *Special Report*, the IRS first and foremost violated these taxpayers' *right to be informed*.<sup>9</sup> The IRS did not provide adequate or timely guidance to (c)(3) or (c)(4) taxpayers about the acceptable level of political activity (and it did not adequately train or provide guidance to its employees so they could assist these taxpayers), nor did the IRS make public its instructions to staff, its checklists, and its guidance memoranda as the Freedom of Information Act (FOIA) and e-FOIA require. Moreover, the IRS did not explain to taxpayers why their applications were delayed.

The IRS did not handle these applications with any semblance of timeliness – in fact, TIGTA reports there was a period of 13 months in which no action at all was taken on any of the impacted cases while employees in the IRS's EO Division waited for additional guidance. When taxpayers (and TAS) raised objections, their concerns were met with stock, template responses, and during the periods of delay, taxpayers were not told what additional information they should be gathering to dislodge their cases. Thus, the IRS violated the taxpayers' right to be assisted<sup>10</sup> and right to be heard.<sup>11</sup>

As we note in our *Special Report*, IRC § 501(c)(4) taxpayers do not have the same right to judicial review as § 501(c)(3) taxpayers, who may petition the United States Tax Court for a declaratory judgment where the IRS has not ruled within 270 days or has issued a denial of

9 Taxpayers have the right to know what is expected of them in terms of complying with the tax law. Taxpayers also have the right to have access to IRS procedures, policies, guidance, and other instructions to staff to the extent permitted by law. They have the right to a clear explanation of the law and IRS procedures, and they have the right to be informed of the results of, and reasons for, IRS decisions about their tax matters.

10 Taxpayers have the right to receive prompt, courteous, and professional assistance about tax obligations in the manner in which they are best able to understand it, and to be provided a method to lodge grievances when service is inadequate. They have the right to expect that the tax system will attempt to keep taxpayer compliance costs to a minimum, and that assistance will be available in a timely and accessible manner and without unreasonable delays.

11 Taxpayers have the right to raise their objections and provide additional documentation or an explanation in response to actions by the IRS, which shall consider those objections and explanations promptly and impartially. The IRS shall provide taxpayers with an explanation of why their objections or explanations are not sufficient and what is required to better document their concerns, where appropriate.

tax-exempt status.<sup>12</sup> This fundamental right to an appeal<sup>13</sup> not only would provide the taxpayer with meaningful recourse and impartial oversight of IRS decisions, but it also would help develop case law and additional guidance in a complex area of law. Instead, taxpayers’ applications languished for months and even years, violating their right to certainty.<sup>14</sup>

These taxpayers’ *right to privacy*<sup>15</sup> was violated when the IRS burdened them with unnecessary questions, including document or other requests where the IRS itself could just as easily have secured the information (*e.g.*, from websites) and provided that information to the taxpayer for explanation if it raised concerns. The *right to confidentiality*<sup>16</sup> was violated by the request for donor information that would otherwise be non-public were it provided in the annual Form 990 filing. And finally, *the right to a fair and just tax system*<sup>17</sup> was demonstrably violated by EO’s failure to design the application process so that it obtained more detailed and consistent information about political activities in an impartial manner from all applicants engaging in that activity, via a better-designed application form. This failure gave rise to the appearance of partisan action by the IRS. This right was also violated by EO’s comprehensive failure to refer these cases to the Taxpayer Advocate Service, all of which appeared to qualify for our assistance, thereby undermining an important “early warning system” and circumventing the designated guardian of taxpayer rights in the IRS.<sup>18</sup>

If the IRS had conducted the above analysis on each and every one of its compliance, enforcement, and taxpayer service initiatives, we would not be facing the crisis we are today. Not only would programs and initiatives be better designed in conformity with fundamental tax administration principles, but this analysis would force the IRS to articulate what level of funding and resources it needs to administer the tax system so as to avoid violations of taxpayer rights. Such an analysis would put a spotlight on the serious consequences of the IRS’s declining budget.

12 IRC § 7428.

13 Administrative and judicial appeals are crucial to the actual and perceived fairness of the tax system from the taxpayer perspective. Taxpayers have the right to be advised of and obtain a prompt administrative or judicial appeal that provides an impartial review of all compliance actions or administrative determinations (unless expressly barred by statute) and an explanation of the rationale for the decision.

14 Taxpayers have the right to know the tax implications of their actions and the date and circumstances under which certain actions are final.

15 Taxpayers have the right to expect that any IRS inquiry or enforcement action will involve as little intrusion into their lives as possible, will be limited to information relevant to the matter at hand, and will respect all due process protections, including search and seizure protections and the provision of a collection due process hearing, where provided by law.

16 Taxpayers have the right to expect that any information provided to the IRS will not be used or disclosed by the IRS unless authorized by the taxpayer or other provision of law.

17 Taxpayers have the right to expect that the tax system will take into consideration, impartially and humanely, the specific facts and circumstances that might affect their underlying liability, ability to pay, or ability to provide information timely. Taxpayers have the right to have access to the Office of the Taxpayer Advocate for assistance. They also have the right to compensation or damages where the IRS has excessively erred, delayed, or taken unreasonable positions.

18 There are two additional taxpayer rights that are not directly implicated in the EO matter: *the right to pay the correct amount of tax due* and *the right to representation*.

## Our Report Identifies Areas of Critical Risk for Taxpayers and the IRS

This year, as I've mentioned, we have taken the unusual step of issuing a supplement to the National Taxpayer Advocate's Objectives Report to Congress. In the *National Taxpayer Advocate Special Report to Congress: Political Activity and the Rights of Applicants for Tax-Exempt Status*, we discuss the significant challenges the IRS faces when determining whether political activity by EOs is at permissible levels. We suggest a framework for making these determinations that incorporates appropriate checks and balances. We also offer our analysis of some of the root causes of the problems experienced by the taxpayers identified in the TIGTA report and discuss TAS's efforts on behalf of taxpayers who sought our assistance. Based on this analysis, we make administrative recommendations that we believe will improve IRS management of its inventory and ensure that taxpayers experiencing undue burden and delays, or economic harm, are properly referred to TAS for help. We also have identified improvements we plan to make to TAS's own training and procedures so our employees are better able to advocate on behalf of these taxpayers.

A brief perusal of the Areas of Focus and Filing Season discussion in Volume 1 of this report shows that the IRS is struggling and thereby unduly burdening taxpayers in areas of taxpayer administration as diverse as the following:

- Making whole the victims of tax return preparer fraud;<sup>19</sup>
- Conducting adequate oversight of the tax return preparer industry;<sup>20</sup>
- Providing effective, timely, and taxpayer-centric relief to victims of identity theft;<sup>21</sup>
- Utilizing effective and timely collection alternatives to minimize taxpayer burden while reducing the number and dollar amount of balance-due accounts;<sup>22</sup>
- Conducting education and outreach to taxpayers about their responsibilities under the Affordable Care Act;<sup>23</sup>
- Resolving erroneous revocations of the tax-exempt status of small § 501(c)(3) organizations and failing to provide a pre-revocation administrative appeal;<sup>24</sup>
- Establishing confusing and draconian "settlement initiatives" for the millions of taxpayers who have legitimate reasons for overseas bank and financial accounts and whose failure to file reports was merely negligent;<sup>25</sup>

19 See *The IRS Harms Taxpayers by Refusing to Issue Refunds to Some Victims of Return Preparer Fraud*, vol. 1, *infra*.

20 See *The Current Limited Oversight of Return Preparers Makes Taxpayers Vulnerable to Unscrupulous or Incompetent Preparers*, vol. 1, *infra*.

21 See *As the IRS Adopts a Specialized Approach to Identity Theft Victim Assistance, Concerns About Complete and Timely Account Resolution Remain*, vol. 1, *infra*.

22 See *Collection Update: The IRS's Tepid Approach to Implementing Recent Changes in Collection Policies Has Limited Taxpayer Access to Important Collection Options*, vol. 1, *infra*.

23 See *TAS Prepares for Implementation of Health Care Provisions*, vol. 1, *infra*.

24 See *The IRS has Revoked the Exempt Status of Thousands of Organizations in Error, Causing Significant Harm to Taxpayers*, vol. 1, *infra*.

25 See *IRS Offshore Voluntary Disclosure Programs Continue to Burden "Benign Actors" and Damage IRS Credibility*, vol. 1, *infra*.

- Addressing the needs of international taxpayers;<sup>26</sup>
- Failing to provide adequate service and causing real harm to applicants for Individual Taxpayer Identification Numbers (ITINs) who must relinquish their original identity documents for months at a time (think about doing that yourself and see how your throat constricts in this post-9/11 world!);<sup>27</sup> and
- Substantially degrading the IRS Tax Forums as a means to communicate with a large number of tax practitioners, especially currently unregulated ones.<sup>28</sup>

Two of the above Areas of Focus deserve specific mention here, because of the severity of taxpayer rights violations involved.

### ***Erroneous Revocations of Tax-Exempt Status Burden Taxpayers, Create Re-work for the IRS, and Violate Taxpayer Rights***

In Volume 1 of this report, we highlight an issue involving exempt organizations that has received scant public attention. The IRS's implementation of the statutory requirement for automatic revocation of small exempt organizations that have not filed an e-postcard return for three consecutive years has been understaffed, inflexible, and taxpayer adverse<sup>29</sup> Think Little Leagues and PTAs. Despite our repeated discussions with past EO leadership and our recommendations in past Annual Reports to Congress, the IRS has failed to provide these taxpayers with even minimal due process protections such as administrative review of proposed revocations, thereby violating the taxpayers' *right to an administrative appeal*. The IRS has declined to act upon our recommendation that it create a separate, simpler Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, for use by these small organizations so we can quickly reinstate their exempt status and they can continue to serve the public good. Moreover, the IRS has ignored our repeated warnings that it was seriously understaffed to handle the influx of EO applications.<sup>30</sup> The IRS has erroneously revoked the exempt status of thousands of EOs and has a significant backlog of IRC § 501(c)(3) applications, burdening both new and revoked EOs alike. This state of affairs violates taxpayers' rights to be assisted, to certainty, and to a fair and just tax system.

### ***IRS's Continuing Failure to Provide Relief to Victims of Return Preparer Fraud Violates Fundamental Concepts of Fairness and Due Process***

In my 2012 Annual Report to Congress, I identified as a most serious problem for taxpayers the IRS's failure to provide timely relief to taxpayers who are defrauded by their tax return

26 See *International Taxpayer Service Initiatives Continue but Need a More Formal Structure*, vol. 1, *infra*.

27 See *IRS ITIN Policy Changes Make Return Filing Difficult and Frustrating*, vol. 1, *infra*.

28 See *Cuts to IRS Tax Forums Mean Lost Opportunities*, vol. 1, *infra*.

29 Pension Protection Act of 2006, Pub. L. No. 109-280 § 1223, 120 Stat. 780, 1090 (Aug. 17, 2006).

30 In its response to our 2007 Most Serious Problem, in which we noted that understaffing plays a major role in 501(c)(3) exemption application processing delays, the IRS formally responded, "The IRS sees no evidence on which the National Taxpayer Advocate could conclude that the backlog will swell again once we have eliminated it." We note that the IRS never eliminated its backlog. See National Taxpayer Advocate 2007 Annual Report to Congress 210, 217 (IRS Response, Most Serious Problem: *Determination Letter Process*).

preparers. This situation arises when a preparer alters the taxpayer's return, without the taxpayer's knowledge, by either inflating the taxpayer's refund or redirecting that refund to an account controlled by the preparer, or both. IRS Chief Counsel has opined since 2003 that the IRS has the authority to issue the taxpayer his or her correct refund, yet as of today, the IRS has not established procedures for making these taxpayers whole. Instead, it has directed its employees to put these cases on hold indefinitely until someone, somewhere, makes a policy call.

In fiscal year (FY) 2012, TAS received 439 cases involving this issue and for FY 2013 (through May 31) we have received 260 cases. During the first seven months of FY 2013, TAS has issued 77 Taxpayer Assistance Orders (TAOs) concerning this issue, compared with 58 for the entire 2012 fiscal year. I personally have issued 21 TAOs to the former Acting Commissioner of Internal Revenue or the Commissioner of the IRS's Wage & Investment Division, and I have already issued four to the Principal Deputy Commissioner.<sup>31</sup> More than 40 TAOs have been appealed by the Operating Divisions, and I will soon elevate them to the Principal Deputy Commissioner as well.

The IRS delay and failure to act with any degree of urgency with respect to these taxpayers is egregious. The average refund sought in the 21 cases I elevated to the former Acting Commissioner or the Commissioner of the Wage & Investment Division is \$2,901, and the average age of these cases is 540 days. These taxpayers are generally low income and do not have the wherewithal to raise their concerns to Members of Congress. Yet the harm to them is at least as great as that visited upon the 501(c)(4) organizations because some of these low income taxpayers need their refunds to pay for basic necessities. The IRS's inaction violates these taxpayers' *rights to be assisted, to be heard, to pay the correct amount of tax due, and, most importantly, to a fair and just tax system*. There is no justification and no excuse for this callous treatment of taxpayers. Immediately prior to this report going to press, I briefed the Principal Deputy Commissioner about this issue, and I look forward to working with him to bring resolution and relief these taxpayers as soon as possible.

***Insufficient IRS funding has led to restrictive training policies that leave IRS employees inadequately trained and unwilling or unable to identify and address both routine and novel taxpayer problems***

In our 2011 and 2012 Annual Reports to Congress, we identified the inadequate funding of the IRS as the number 1 and number 3 most serious problems of taxpayers, respectively.<sup>32</sup> In my recent Woodworth lecture, I laid out the consequences of this inadequate funding combined with inadequate education about and protection of taxpayer rights. If a tax

31 IRC § 7811. TAS can issue a Taxpayer Assistance Order (TAO) to order the IRS to take certain actions, cease certain actions, or refrain from taking certain actions (e.g., to release a levy). TAS may also issue a TAO to order the IRS to expedite consideration of a taxpayer's case, reconsider its determination in a case, or review the case at a higher level. Once TAS issues a TAO, the IRS can comply with the action ordered or appeal the issue for resolution at a higher level.

32 National Taxpayer Advocate 2011 Annual Report to Congress 3 (Most Serious Problem: *The IRS Is Not Adequately Funded to Serve Taxpayers and Collect Taxes*); National Taxpayer Advocate 2012 Annual Report to Congress 34 (Most Serious Problem: *The IRS Is Significantly Underfunded to Serve Taxpayers and Collect Tax*).

agency both collects more than 90 percent of federal revenues – \$2.52 trillion in FY 2012 – and administers the second largest federal antipoverty program (the Earned Income Tax Credit) as well as retirement, education, and health care policies in addition to all sorts of business incentives, and then there is an eight percent budget cut over three years, including an 83 percent training budget decrease – well, to put it mildly, bad things will happen to taxpayers. The IRS will cut corners, eliminate protections it doesn’t understand and deems unnecessary, make decisions in ignorance of the law, and generally not spend the time necessary to understand specific taxpayer concerns until things reach a crisis level.

The point about education and training is particularly important in light of the recent TIGTA audit, highlighting frivolous, wasteful, and even improper activities by one IRS function.<sup>33</sup> I fear this report will be used to justify what I view as dangerous cuts to the IRS training and training-related travel budgets.

In 2010, as we did in each prior year since 2003, the Taxpayer Advocate Service conducted an all-employee Technical Symposium. I proposed this approach to training because I believe there are significant, practical benefits to delivering certain training and education in a face-to-face setting so TAS employees can learn from their peers in other offices and so that all employees can hear the same message and have the opportunity to question their leadership in person. TAS developed a curriculum designed to build general expertise in all areas of eight employee tracks as well as specific expertise in certain areas. We designed, developed, and delivered 79 courses (219 sessions) in eight occupational tracks – including case and intake advocates, analysts, technical advisors, managers, and support staff – using TAS employees of all grade levels as subject matter experts and instructors. In addition to some larger sessions, each employee followed a curriculum that included four mandatory courses within his or her job track, four elective courses within that job track, and four true electives, enabling employees to stretch and pursue and develop their professional interests and careers. I personally taught several technical courses, conducted about ten town hall meetings, and met almost every employee who attended. In 2010, we negotiated a below-per diem hotel rate, and by being in Philadelphia, employees in IRS offices on the Amtrak line were able to return home on Thursday night, thereby saving taxpayers the cost of additional hotel nights.

The per capita cost for this training was \$1,470. It was an effective and efficient way to train TAS employees, gain a shared vision for the organization, and learn and share ideas with co-workers from other regions and offices. It enabled me and the rest of the TAS executive leadership to observe where our employees misunderstood or resisted policies and practices, and to identify where they needed additional training or clearer explanations of our decisions. We learned which procedures required revision to relieve employee or taxpayer burden.

33 Treasury Inspector General for Tax Administration (TIGTA Ref. No. 2013-10-037, *Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California* (May 13, 2013)).

I would hold this Technical Symposium again in a heartbeat if funding were available.

Sadly, we are moving in the opposite direction. Today, as the executive over a 1,900 person organization, I cannot approve training or training-related travel in an amount over \$2,999.<sup>34</sup> The Commissioner cannot approve travel over \$24,999. Anything above that amount must be approved by the Department of the Treasury. In my own organization, these procedures have resulted in newly hired case advocates not receiving necessary and required training for over 18 months, and we have just learned that it will be delayed yet again. Because TAS deems it necessary for this training to be delivered in a face-to-face environment in order to foster animated discussion, role-playing, problem-solving, and use of the case-study technique, I must first convince an IRS “board” of executives that TAS’s proposed face-to-face training is necessary (substituting their judgment for mine, the head of office). If approved, that request next must be reviewed by the Deputy Commissioner’s office and then, if the amount is over \$24,999, by the Deputy Secretary’s office. Meanwhile, the impacted employees are unable to work certain categories of cases because they have not had the requisite training, and other TAS employees must pick up the slack with respect to these cases. And of course, taxpayers are harmed because TAS employees do not have the training necessary to do their job. More importantly, if the IRS is unable to train and educate its employees properly, especially in methods of problem solving, issue identification, interviewing and communication techniques, and negotiation – all areas that are done best in a face-to-face learning environment – we will harm taxpayers and bring on the next crisis in U.S. tax administration. The last thing a financially struggling taxpayer should have to face is an under-trained IRS collection apparatus.

Do we really need or want to go down that road? Of course not. So here is my three-step recommendation for getting the IRS on the right track:

- First, we must enact an enforceable Taxpayer Bill of Rights that establishes the core principles of U.S. tax administration, and we must train our employees to analyze their actions (and inactions) so that IRS initiatives conform with these principles.
- Second, we must fund the IRS sufficiently so it can administer the tax system in accordance with those core principles of tax administration even as it discharges its dual mission of revenue collection and benefits administration.
- Third, we must restore training and training-related travel budgets to levels that ensure IRS employees have the education and professional skills they need to administer our complex tax system and do so in a manner that respects taxpayers rights.

<sup>34</sup> See Interim Guidance Memorandum, Control No. CFO-01-1212-01 (Dec. 27, 2012) (issued pursuant to Treasury Directive 12-70 (Nov. 28, 2012), at <http://www.treasury.gov/about/role-of-treasury/orders-directives/Pages/td12-70.aspx>). The Deputy Commissioner herself can only approve training and travel up to \$24,999. Any training or travel over that threshold must be sent to the Treasury Department for approval.



I respectfully submit this report for your consideration and action, and I stand ready to assist you in any way that I can.

Sincerely,



Nina E. Olson  
National Taxpayer Advocate  
25 June 2013



## II. Areas of Focus

### A. The IRS Harms Taxpayers by Refusing to Issue Refunds to Some Victims of Return Preparer Fraud

Return preparer misconduct occurs when a preparer alters tax return information without the taxpayer's knowledge or consent in an attempt to obtain improperly inflated refunds, or to divert refunds for the preparer's personal benefit. Often a taxpayer becomes aware of the misconduct only after the IRS:

- Reviews or audits the return;
- Removes the incorrect deductions, withholding, or credits;
- Holds the taxpayer liable for the resulting increased tax assessment; and
- In some cases, refuses to issue the taxpayer the correct refund after the preparer has misappropriated the taxpayer's refund check or direct deposit.

Return preparer misconduct creates significant challenges for the IRS, harms innocent taxpayers, and undermines trust in our tax system.<sup>1</sup> Despite the National Taxpayer Advocate's issuance of 17 Taxpayer Assistance Orders to the Commissioner of Internal Revenue on this matter (through April 2013), the IRS continues to refuse to issue replacement refunds in cases where preparers have stolen a taxpayer's refund, which leaves the victimized taxpayers little hope of ever getting their money.

Preparer misconduct is not a new phenomenon. The IRS has known for well over a decade about the problems that this type of fraud can thrust upon taxpayers. The IRS has since 2000 received the benefit of several Chief Counsel opinions addressing return preparer misconduct.<sup>2</sup> When read together, these opinions authorize the IRS to:

#### Chief Counsel has issued multiple opinions addressing return preparer misconduct



The IRS has addressed two:

- The falsified return can be deemed a "nullity," and
- The true return can be accepted and processed

However, to date the IRS has refused to authorize the issuance of a refund to victims of preparer misconduct

<sup>1</sup> See National Taxpayer Advocate 2012 Annual Report to Congress 68-83 (Most Serious Problem: *The IRS Harms Victims of Return Preparer Misconduct by Failing to Resolve Their Accounts Fully*); Nina E. Olson, *More Than a 'Mere' Preparer: Loving and Return Preparation*, Tax Notes 767 (May 13, 2013).

<sup>2</sup> See Field Service Advice 200038005 (June 6, 2000); IRS Office of Chief Counsel Memorandum, *Horse's Tax Service*, PMTA 2011-13 (May 12, 2003); IRS Office of Chief Counsel Memorandum, *Tax Return Preparer's Alteration of a Return*, PMTA 2011-20 (June 27, 2011).

1. Deem the first, falsified return a “nullity;”
2. Accept and process the second, true return submitted by the taxpayer after discovering the preparer misconduct; and
3. Issue a refund to the taxpayer.

While the IRS has developed interim procedures to address the first two steps, to date it has refused to authorize the issuance of a refund to a victim of preparer misconduct.<sup>3</sup> Instead, the procedures instruct employees to suspend action on such cases pending further guidance.

In February 2012, the National Taxpayer Advocate issued internal guidance instructing TAS employees to issue a Taxpayer Assistance Order (TAO) in every preparer misconduct case rather than using normal case procedures.<sup>4</sup> TAS issued 58 TAOs related to return preparer misconduct in fiscal year (FY) 2012, which constituted 13.4 percent of all TAOs issued that year.<sup>5</sup> Through April, TAS has already issued another 77 TAOs involving return preparer misconduct in FY 2013.

As of May 31, 2013, the National Taxpayer Advocate has elevated 21 return preparer misconduct TAOs to either the Commissioner of W&I or the Commissioner of Internal Revenue or his successor. In eight of these cases (38 percent), the taxpayer had filed a police report against the preparer, with four of the preparers arrested for fraud (19 percent). The average refund sought in these cases is \$2,901. From the date these taxpayers came to TAS, they have waited an average of 540 days (through May 31, 2013), and have yet to receive the refunds to which they are entitled.



3 See *Interim Guidance on Return Preparer Misconduct (For Memphis Accounts Management ONLY)*, WI-21-0812-02 (Sept. 6, 2012).  
4 See *Interim Guidance on Advocating for Taxpayers When a Return Preparer Appears to Have Committed Fraud*, TAS-13-0212-008 (Feb. 7, 2012).  
5 TAS issued 434 TAOs in FY 2012.

The IRS has not complied with actions ordered in any of these TAOs, as it is “weighing” policy considerations. The former Acting Commissioner did not provide any response to the National Taxpayer Advocate regarding why he did not provide relief to these taxpayers, nor did he articulate what “policy considerations” he was weighing.

From the National Taxpayer Advocate’s perspective, the policy considerations in making the victims whole clearly outweigh other considerations. Consider the following:

- If a non-preparer takes a taxpayer’s refund because of a falsified return, the IRS considers the taxpayer a victim of identity theft and *will* issue a replacement refund.
- If a taxpayer’s paper check is stolen, the government will issue a replacement refund check.<sup>6</sup>
- If a return preparer changes a taxpayer’s return so a direct deposit refund goes to the preparer instead of the taxpayer, the IRS *will not* issue a replacement refund.

With the increasing complexity of the tax code and IRS forms, and the reduced availability of return preparation assistance in IRS Taxpayer Assistance Centers (TACs), a substantial number of taxpayers rely on paid professionals to assist with their filing obligations.

Low income taxpayers, such as those who qualify for the Earned Income Tax Credit (EITC), are particularly vulnerable to predatory practices. In tax year 2011, 59.3 percent of EITC filers relied upon paid preparers.<sup>7</sup> Taxpayers who are trying to comply with the law and who have demonstrated that they are not complicit in the fraud perpetrated by the preparer, should be made whole by the IRS.

In FY 2014, TAS will:

- Issue appropriate guidance to TAS employees on how to advocate for victims of return preparer misconduct when IRS procedures do not fully unwind the harm suffered by the victims;

### Replacement refunds for refund fraud victims

Refund fraud perpetrated by stranger (ID theft)



Taxpayer gets replacement refund

Preparer fraud that includes theft of paper check



Taxpayer gets replacement refund

Preparer fraud that includes misrouted direct deposit



Taxpayer does NOT get replacement refund

<sup>6</sup> See IRM 21.4.2.4.15.3.1 (Oct. 1, 2006).

<sup>7</sup> Nina E. Olson, *More Than a 'Mere' Preparer: Loving and Return Preparation*, Tax Notes 767 (May 13, 2013).

- Continue to elevate return preparer misconduct TAOs to the highest levels of the IRS until the IRS adopts a policy that provides relief to these taxpayers; and
- Educate internal and external stakeholders (including Congress) on the impact on taxpayers of the IRS's refusal to develop procedures to make victims of return preparer misconduct whole.

## B. The Current Limited Oversight of Return Preparers Makes Taxpayers Vulnerable to Unscrupulous or Incompetent Preparers

Since 2002, the National Taxpayer Advocate has advocated for the regulation of return preparers. Her proposals included:

- A program to register, test, and certify preparers;
- Increased penalties, and improvements to due diligence requirements; and
- A comprehensive IRS advertising campaign on how to choose a competent preparer and to educate taxpayers about the requirement for paid preparers to
  - sign the tax return and
  - provide a copy to the taxpayer;<sup>1</sup>

In January 2010, the IRS published a study of federal tax return preparers which in most important aspects reflected the proposals made by the National Taxpayer Advocate.<sup>2</sup> In response, the IRS issued regulations requiring that all preparers register with the IRS by obtaining a preparer tax identification number (PTIN). The IRS also required certain preparers meet testing and continuing education requirements.<sup>3</sup> Implementation began with the 2011 filing season, when the IRS required paid return preparers to obtain PTINs.<sup>4</sup> The continuing education requirement began during the 2012 calendar year. The IRS launched the registered tax return preparer competency test in November 2011 with a deadline to take the test by December 31, 2013.<sup>5</sup>

However, in January 2013, a U.S. district court judge in *Loving v. Internal Revenue Service* disagreed with the IRS's view that it has the authority to implement these requirements on its own, and invalidated the testing and continuing education requirements.<sup>6</sup> The Justice Department has appealed the District Court's decision.<sup>7</sup>

The National Taxpayer Advocate believes that the district court's decision in *Loving* is based in part on an outdated understanding of return preparation and filing. The return preparation industry has changed substantially over the last few decades as a result of the

1 See National Taxpayer Advocate 2009 Annual Report to Congress 41-69; National Taxpayer Advocate 2008 Annual Report to Congress 503-512; National Taxpayer Advocate 2006 Annual Report to Congress 197-221; National Taxpayer Advocate 2005 Annual Report to Congress 223-237; National Taxpayer Advocate 2004 Annual Report to Congress 67-88; National Taxpayer Advocate 2003 Annual Report to Congress 270-301; National Taxpayer Advocate 2002 Annual Report to Congress 216-230; *Fraud in Income Tax Return Preparation: Hearing Before the Subcomm. on Oversight of the H. Comm. on Ways and Means*, 109th Cong. (2005) (statement of Nina E. Olson, National Taxpayer Advocate).

2 IRS Publication 4832, *Return Preparer Review* (Dec. 2009).

3 Treas. Reg. § 1.6109-2(d); 31 C.F.R. § 10.2 et seq.

4 See IRS News Release, *IRS Begins Notifying Tax Return Preparers on PTIN Renewals*, IR-2010-106 (Oct. 25, 2010).

5 IRS News Release, *IR-2011-111, IRS Moves to Next Phase of Return Preparer Initiative; New Competency Test to Begin* (Nov. 22, 2011).

6 *Loving v. IRS*, 111 A.F.T.R.2d (RIA) 589 No.(D.D.C. Jan. 18, 2013). The government filed a motion to suspend the injunction pending appeal. The U.S. District Court for the District of Columbia denied the motion but then modified the terms of the injunction. See *Loving*, 111 A.F.T.R.2d (RIA) 702 (D.D.C. Feb. 1, 2013). On February 25, 2013, the government filed a motion for a stay pending appeal. On March 27, 2013, the U.S. District Court for the District of Columbia denied the motion for stay.

7 See Government Files Brief in D.C. Circuit Court in Return Preparer Oversight Case, Tax Notes Today, 2013 TNT 62-20 (Apr. 3, 2013); *Loving v. IRS*, No. 1:12-cv-00385 (D.D.C. 2013) (USCA Case No. 13-5061).

ready availability of return preparation software, refundable credits, and refund-based loans. These changes underscore the significance of tax return preparers in our self-assessment system and the role of the tax return in making claims against the government.<sup>8</sup> In fact, the National Taxpayer Advocate believes that the problems associated with refund claims in today’s tax system are directly analogous to the problem Congress sought to address in the original 1884 grant of regulatory authority to Treasury.<sup>9</sup>

The National Taxpayer Advocate’s main focus continues to be the retention of minimum standards for return preparation. If the Court of Appeals reverses the district court’s ruling in *Loving*, the IRS would reinstate the rules requiring certain preparers to take a competency exam and complete continuing education credits. If the district court ruling stands, the National Taxpayer Advocate will urge members of Congress to support remedial legislation to authorize the IRS to reissue its rules to protect taxpayers. The reinstatement or reissuance of the IRS preparer oversight rules would promote tax compliance by imposing minimum competency standards. In addition, questionable preparers would have less opportunity and incentive to engage in misconduct or fraud, as discussed in the previous area of focus, with registration, testing, and continuing education requirements coupled with an extensive public awareness campaign.

In the meantime, until either the courts or Congress reinstate the IRS’s authority to require preparers to demonstrate minimum competence to prepare tax returns, the National Taxpayer Advocate is concerned that taxpayers remain vulnerable to incompetent or unscrupulous preparers. Accordingly, the Taxpayer Advocate Service is working to ensure that taxpayers are vigilant when they hire an individual or firm to prepare their returns. Specifically, TAS suggests that taxpayers proactively protect themselves by taking the following steps:<sup>10</sup>

- Ask the preparer directly about his or her qualifications and experience level in preparing tax returns. The taxpayer should feel confident that the preparer possesses sufficient knowledge of relevant tax law – not merely completion of return preparation software training.
- Make sure the preparer signs the return and fills in his or her PTIN where indicated on the tax return.

8 An amicus brief filed on behalf of five former IRS commissioners (Mortimer Caplin, Sheldon Cohen, Lawrence Gibbs, Fred Goldberg, and Charles Rossotti) argues that the filing of a tax return constitutes presenting a case due to the increasingly wide variety of government assistance programs administered through the federal income tax system. Brief of Former Commissioners of Internal Revenue as amici curiae, supporting defendants-appellants, *Loving v. IRS*, No. 13-5061 (D.C. Cir. 2013). In addition, the amicus brief of the National Consumer Law Center and the National Community Tax Coalition in *Loving* contains many examples of the virtual absence of professionalism and competency in this component of the unregulated tax return preparation world. Brief of National Consumer Law Center and National Community Tax Coalition, as amici curiae, supporting defendants-appellants, *Loving v. IRS*, No. 13-5061 (D.C. Cir. 2013).

9 Nina E. Olson, *More Than a 'Mere' Preparer, Loving and Return Preparation*, 2013 TNT 92-13, Tax Notes Tax Analysts Today (May 13, 2013).

10 The Taxpayer Advocate Service has developed and distributed an informational poster on this subject to all Taxpayer Assistance Centers, TAS Local Taxpayer Advocate offices, and Low Income Taxpayer Clinics. See IRS Pub. 5074, *Protect Your Tax Refund*. See also <http://www.taxpayeradvocate.irs.gov/Tax-Professionals/Tax-Preparer-Regulation> (last visited Mar. 21, 2013).

- Obtain from the preparer a copy of the signed and filed return and keep the copy in the event there is a problem with the return.

In addition, consistent with the National Taxpayer Advocate's longstanding position that the IRS should mount a comprehensive taxpayer awareness campaign, we believe it is more important than ever that the IRS increase its outreach and education about choosing a preparer, with particular emphasis on the populations at most risk, such as low income taxpayers and the elderly. In the meantime, TAS will continue in FY 2014 to advocate for minimum competency standards in return preparation and work to ensure that taxpayers are better equipped to protect themselves against incompetent and unscrupulous preparers.

## How taxpayers can protect themselves from return preparer misconduct

### BEFORE

#### You choose a preparer

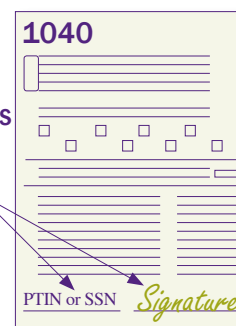
Ask the preparer about his or her qualifications and experience, not just a software preparation system.



### AFTER

#### A preparer finishes your taxes

Make sure you get a copy of your tax return with the return preparer's signature and PTIN or Social Security number.



### C. As the IRS Adopts a Specialized Approach to Identity Theft Victim Assistance, Concerns About Complete and Timely Account Resolution Remain

In the past year, the IRS has revamped the way it works identity theft (IDT) cases.<sup>1</sup> As discussed below, the IRS has set up 21 specialized IDT units to assist victims of identity theft. There is substantial evidence that this approach is not working. Specifically, the National Taxpayer Advocate is concerned that:

- IDT cases continue to top the list of TAS case receipts;
- Because IDT cases are complex and often involve multiple issues, making the need for a centralized unit to monitor cases even more urgent;
- While TAS Case Advocates have been able to significantly reduce cycle time on its IDT cases, the IRS is still harming victims by extensively delaying case resolution;
- The Identity Protection Specialized Unit (IPSU) as currently operating is harming IDT victims who experience significant hardship; and
- IDT filters ensnare far too many legitimate filers.



#### Identity Theft Cases Continue to Top the List of TAS Case Receipts.

One barometer of the effectiveness of the IRS’s new approach is TAS’s level of IDT cases. In FY 2012, identity theft was the top source of work for TAS Case Advocates, comprising 25 percent of all TAS receipts. The trend continued in FY 2013, with 25 percent of all TAS cases again being IDT-related (through March 31).<sup>2</sup> After a 61 percent increase from FY 2011 to FY 2012,<sup>3</sup> TAS stolen identity cases are trending up even more in FY 2013, with receipts rising over 66 percent compared to the same period last year.<sup>4</sup> Preliminary data indicate increases in TAS may continue throughout FY 2013.

1 In general, tax-related identity theft occurs when an individual intentionally uses the personal identifying information of another person to file a false tax return with the intention of obtaining an unauthorized refund.

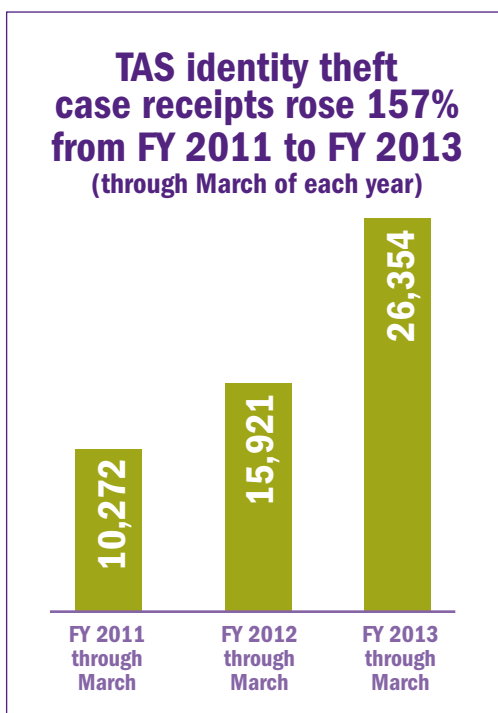
2 Through March 31, 2013, TAS received 26,354 stolen identity cases out of 105,985 cases overall.

3 Data obtained from Business Performance Management System (BPMS) reports on October 3, 2012, showing TAS received 34,006 stolen identity cases as of September 30, 2011, and 54,748 cases as of September 30, 2012.

4 Data obtained from BPMS reports on April 1, 2013, showing TAS received 15,921 stolen identity cases as of March 31, 2012, and 26,354 cases as of March 31, 2013.



**FIGURE II.1, CONTINUED GROWTH IN TAS IDENTITY THEFT CASEWORK**



IRC § 7811 authorizes the National Taxpayer Advocate to issue a Taxpayer Assistance Order (TAO) to require that the IRS cease any action, take any action, or refrain from taking any action, when a taxpayer is suffering (or about to suffer) a significant hardship. In FY 2013 (through April), TAS issued 26 TAOs on IDT-related issues.<sup>5</sup>

**Identity Theft Cases are Complex, Often Involving Multiple Issues and Multiple Years, Making the Need for a Centralized Unit to Monitor These Cases Even More Urgent.**

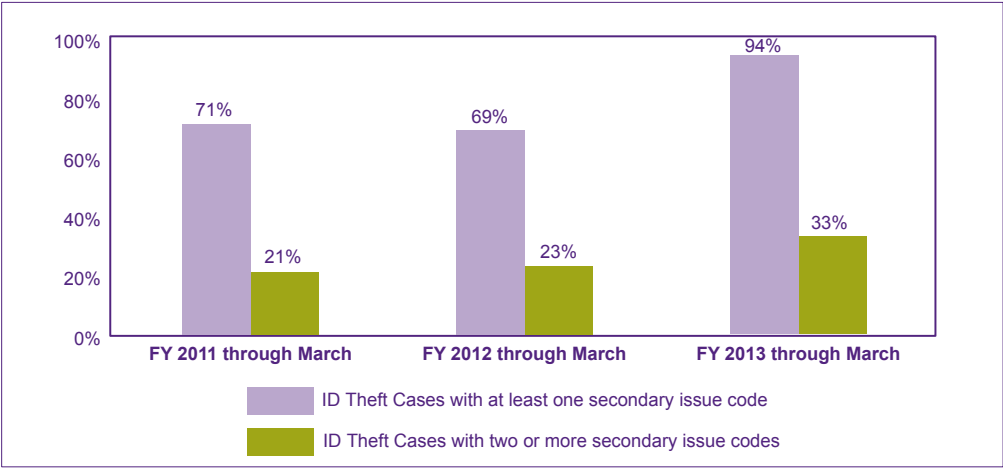
Identity theft cases are very complex, often requiring action by employees from different IRS organizations and with different skills. In addition to a combination of primary and secondary issues, IDT cases often cover several tax years, increasing their difficulty and time needed to resolve.

When TAS case advocates receive a case, they assign Primary and (one or more) Secondary Issue Codes, indicating what issues are involved and, by inference, what functions TAS must work with to resolve all issues completely before closing the case. The vast majority of IDT cases worked by TAS involve multiple issues,<sup>6</sup> as illustrated below.

<sup>5</sup> For additional discussion regarding the TAO process, see *TAS Uses its Statutory and Delegated Authorities to Advocate Effectively in Taxpayer Cases*, *infra*. Of the 26 TAOs, 19 were economic burden cases and seven were systemic burden cases. Nineteen of the 26 TAOs were issued due to unresponsiveness by the IRS, two were issued due to disagreements over the documentation provided, and five were due to disagreements over whether IDT had occurred. The IRS eventually complied with all 26 TAOs.

<sup>6</sup> When TAS opens a case, it assigns a primary issue code based on the most significant issue, policy or process within the IRS that needs to be resolved. When a TAS case has multiple issues to resolve, a secondary issue code will be assigned. See IRM 13.1.16.13.1.1 (Feb. 1, 2011).

**FIGURE II.2, PERCENT OF CLOSED TAS IDENTITY THEFT CASES INVOLVING MULTIPLE ISSUE CODES, FY 2011 – FY 2013**



In many instances, TAS Case Advocates must address more than two issues to fully resolve an identity theft victim’s case. For example, the owner of a Social Security number (SSN) may be the subject of an IRS levy action caused by an IDT assessment, which led the victim to contact the Collection unit. The levy action may be due to an erroneous examination assessment caused by a fraudulent return, which the SSN owner (victim) was unaware of due to not receiving IRS notices (the return filed by the non-SSN owner / identity thief may have changed the address on the account). The Examination (audit) function must reverse the assessment, as Collection does not have the authority to reverse audit assessments. The adjustment to remove the fraudulent return from the taxpayer’s account would then be handled by another processing function in Compliance.

As discussed earlier, the IRS altered its strategy for assisting IDT victims and moved to a specialized environment where each function that deals with IDT will create a dedicated group of employees to work those issues. Recognizing that IDT cases are complex, requiring adjustments by multiple IRS departments, the IRS has developed a transfer matrix outlining situations where a case is routed from one specialized function to another.

The National Taxpayer Advocate has no confidence in the specialized units’ ability to transfer cases among themselves without a centralized unit (such as the IPSU) to serve as the “traffic cop.” The IPSU has already been serving in this capacity for four years and in our view should remain the single point of contact for victims, tracking each case from start to finish as it moves from one specialized unit to another. We recognize that the IPSU has inadequately monitored these cases in the past, viewing its role as passive and infrequently checking on cases. Thus, we have consistently recommended that the IPSU’s role

be strengthened and become more active, and that each IRS function enter into an agreement with the IPSU with detailed procedures for working cases, and be held accountable for meeting deadlines for actions.

In FY 2014, TAS will review how successful the IRS is in transferring cases. In the 2013 Annual Report to Congress, the National Taxpayer Advocate will report findings from an analysis of IDT cases that involved multiple specialized IDT units and will make specific recommendations to better assist victims. The National Taxpayer Advocate will also raise concerns with the new Principal Deputy Commissioner of Internal Revenue.

**While TAS Case Advocates Have Been Able to Significantly Reduce Cycle Time on Its IDT Cases, the IRS is Still Harming Victims by Extensively Delaying Case Resolution.**

Even as the issues have grown more complex and the IRS has changed its IDT strategy, TAS Case Advocates have learned to resolve these cases more efficiently. In FY 2013 through March, TAS has taken an average of 99 days to close IDT cases, compared to 125 days over the same period in FY 2011. TAS Case Advocates also have achieved a relief rate of 91 percent in IDT cases in FY 2013 (compared to 80 percent for TAS cases overall).<sup>7</sup> On the other hand, the IRS processing time for IDT cases is moving in the opposite direction. In 2008, former Commissioner Shulman made a commitment that the IRS would resolve identity theft victims' tax accounts "promptly." While some IRS functions can track the length of time a case is in inventory (see chart below), the IRS still cannot provide a servicewide cycle time measure for resolving identity theft cases. Thus, the IRS cannot determine how well it has done in meeting this commitment to resolve IDT cases "promptly."

While developing the section on identity theft in the National Taxpayer Advocate's 2012 Annual Report to Congress, TAS obtained cycle time data for various categories of IDT cases worked by Accounts Management. Because the IRS does not include this detailed cycle time data in its global identity theft reports, we do not have updated data for 2013, but the chart below is instructive in showing that for many categories of IDT work, the IRS takes between six months to a year to resolve cases.

<sup>7</sup> Analysis of BPMS data conducted on October 16, 2012 and April 1, 2013.

**FIGURE II.3, IRS CYCLE TIME FOR SELECTED CATEGORIES OF IDT CASES WORKED BY ACCOUNTS MANAGEMENT (FY 2012)**

BOD	Function	Inventory Type	Case Type	Avg Days Open from Receipt to Closure (as of 9/30/2012)	Beginning Date	Ending Date
W&I	AM IPSU	IDTX	Monitoring tax-related identity theft cases that do not meet TAS Criteria 5 - 7; case worked by appropriate function and monitored by IPSU (every 60 days)	196	Cycle time begins when IPSU opens a control of the ID theft case, which can occur when the taxpayer (TP) contacts the IPSU or via referral from the IPSU call sites. This occurs most often after the TP has initially contacted the IRS function that sent the notice. NOTE: The IDTX cycle time does not include the time the taxpayer spent dealing with other IRS function(s) prior to IPSU.	Completed functional referral received back at IPSU indicating that all actions have been completed. The IDTX cycle time does not include time spent on the global review, which occurs after all requested actions have been completed.
W&I	AM IPSU	ITAR	Tax-related identity theft case that meets TAS Criteria 5 - 7. IPSU issues Identity Theft Assistance Request (ITAR) to appropriate function, which receive priority treatment. TP may request IPSU or the case may be referred from another function.	133	Cycle time begins when IPSU opens a control of the ID theft case. NOTE: The ITAR cycle time does not include the time TP spent dealing with other IRS functions prior to IPSU.	Ends when function referral received back in IPSU that all corrective actions have been taken and posted and IPSU contacts the taxpayer. The ITAR cycle time does not include time spent on the global review, which occurs after all requested actions have been completed.
W&I	AM	IDT1	Duplicate filing where the second return has a Form 14039 (ID theft affidavit) attached	230	Cycle time begins upon generation of CP 36/36i indicating there is a duplicate filing (this is generally 2-3 cycles after the IRS received date).	Once all account corrective actions are taken. (The taxpayer is then notified that IRS took corrective actions on the account.)
W&I	AM	IDT3	Mixed Entity cases - internally identified. Does not require a Form 14039. Duplicate filing research indicates identity theft that can be resolved internally without taxpayer contact.	323	Cycle time begins upon generation of CP 36/36i indicating there is a duplicate filing (this is generally 2-3 cycles after the IRS received date).	Once all account corrective actions are taken. (The taxpayer is then notified that IRS took corrective actions on the account.)
W&I	AM	IDT4	Self-identified non -tax-related identity theft (e.g., stolen wallet)	131	Cycle time begins upon receipt of complete and legible Form 14039 for non-tax related identity theft. The time does not start from the time the taxpayer calls in.	Ends when research confirms no tax related IDT has occurred and input of TC 971 AC 504 ID theft marker.
W&I	AM	IDT6	Duplicate Filing Inventory subjected to the Electronic Fraud Detection System (EFDS) filters to identify the true SSN owner. There may already be an open IDT1/3 control on the module so the control will be updated to IDT6.	364	Cycle time begins upon generation of CP 36/36i indicating there is a duplicate filing (this is generally 2-3 cycles after the IRS received date). AM does not reset the start date for IDT6; it retains the original start date from the open IDT1 or IDT3.	Once all account corrective actions are taken. (The taxpayer is then notified that IRS took corrective actions on the account.)

BOD	Function	Inventory Type	Case Type	Avg Days Open from Receipt to Closure (as of 9/30/2012)	Beginning Date	Ending Date
W&I	AM	IDT8	Duplicate filing condition with prior AMTAP involvement.	Data not provided	Cycle time begins upon generation of CP 36/36i indicating there is a duplicate filing (this is generally 2-3 cycles after the IRS received date)	Once all account corrective actions are taken. (The taxpayer is then notified that IRS took corrective actions on the account.)
W&I	AM	IDT9	An open IDT 1/3 is updated to IDT9 upon receipt of an ITAR referral from IPSU. There may be an open IDT1/3 already on the module so the control will be updated to IDT9. If not, a new IDT9 is created.	248	Cycle time begins upon generation of CP 36/36i indicating there is a duplicate filing (this is generally 2-3 cycles after the IRS received date). AM does not re-set the start date for IDT9; it retains the original start date from the open IDT1 or IDT3.	Once all account corrective actions are taken. (The taxpayer is then notified that IRS took corrective actions on the account.)

In May 2012, TIGTA issued an audit report that corroborates the National Taxpayer Advocate's position that identity theft cases are complex and vulnerable to getting lost in the IRS shuffle.<sup>8</sup> TIGTA selected a judgmental sample of 17 identity theft cases, and found the IRS had opened 58 separate cases to resolve the accounts of those 17 victims – an average of nearly three and a half cases per victim.<sup>9</sup> The average cycle time for those cases was 414 days.<sup>10</sup> Taking six months to well over a year, in most cases, to close an identity theft case is simply not acceptable for the hundreds of thousands of victims, and almost guarantees that these victims will be caught up in IRS processes for a second filing season.

### The IPSU As Currently Operating Is Harming IDT Victims Who Experience Systemic Hardship.

The IRS established the Identity Protection Specialized Unit (IPSU) in 2008 to serve as the centralized organization assisting identity theft victims. In June 2010, W&I and TAS entered into a Memorandum of Understanding (MOU) for the IPSU to work systemic burden identity theft cases previously referred to TAS.<sup>11</sup> The memo provides that the IDT cases that meet TAS systemic burden criteria be worked under the same general parameters as TAS cases. The National Taxpayer Advocate agreed to the MOU because the IRS committed that taxpayers who met TAS's "systemic hardship" criteria would be provided the same service by the IPSU as they received from TAS.

<sup>8</sup> See TIGTA, Ref. No. 2012-40-050, *Most Taxpayers Whose Identities Have Been Stolen to Commit Refund Fraud Do Not Receive Quality Customer Service* (May 3, 2012).

<sup>9</sup> See *id.*

<sup>10</sup> See *id.*

<sup>11</sup> TAS has identified criteria that qualify taxpayers for TAS assistance, which includes an independent review by a Case Advocate of actions that have been taken or need to be taken to resolve the problems taxpayers are experiencing. TAS commonly refers to Criteria 1-4 as "economic burden" cases, and Criteria 5-7 as "systemic burden" cases. See IRM 13.1.7.1 (July 23, 2007).

The MOU states that:

- Within five workdays of the received date, the IPSU employee will acknowledge the taxpayer’s contact and initiate actions to resolve the issue;
- The IPSU will perform a preliminary account analysis to identify any related issues;
- If the issues raised by the taxpayer are not within Accounts Management’s (AM) authority to resolve, the IPSU will complete Form 14103, *Identity Theft Assistance Request (ITAR)*, and forward the form/case to the appropriate function for resolution;
- The IPSU will monitor the case and contact the taxpayer every 30 days to provide the taxpayer with the case status; and
- If either the W&I Commissioner or the National Taxpayer Advocate becomes aware of significant unanticipated problems that arise from the implementation of this process, both parties agree to meet to discuss and resolve the situations as soon as is possible.

Despite the IRS’s agreement to shift these “systemic burden” IDT cases to the IPSU, TAS still received 12,421 of them through the end of FY 2012,<sup>12</sup> and 9,738 through May 2013.<sup>13</sup> Further, many of the systemic burden cases initially assigned to the IPSU have returned to TAS inventory because of slow or unsatisfactory handling. In FY 2014, we will explore the reasons for the failure of the IPSU to resolve these cases.

The IRS is now designating 180 days as the normal processing time for IDT cases.<sup>14</sup> This means that the IPSU will not accept a case until 211 days (more than 30 days past the 180-day “normal processing time” for IDT cases) after the IDT incident. Additionally, the IPSU will now monitor cases that involve multiple functions every 60 days, a change from the 30-day monitoring agreed upon in the MOU.<sup>15</sup> These changes are in violation of the MOU as originally signed, and the National Taxpayer Advocate has not agreed to these deviations from the MOU.

As noted above, the National Taxpayer Advocate initially agreed to the MOU because she was assured that IDT victims who have significant hardships and thus qualify for TAS services would be provided the same level and type of assistance from the IPSU as they would from TAS. At the time, we viewed this unit as an opportunity to import the quality of TAS assistance into a regular operating unit of the IRS.

It is now clear that taxpayers being referred to the IPSU are not receiving the quality of service required by the National Taxpayer Advocate when the MOU was signed. Thus, the actions of the IPSU are actively harming victims of identity theft who have systemic

<sup>12</sup> IRS, *IPSU Identity Theft Report* (Sept. 29, 2012).

<sup>13</sup> Data obtained from BPMS report on June 1, 2013.

<sup>14</sup> See IRM 21.9.2.2.1 (3), *Identity Theft Time Frames* (May 29, 2013); IRM 21.9.2.2.1, *Identity Theft Assistance Requests – Procedures for Receipt of Form 14103 Referral* (May 29, 2013).

<sup>15</sup> See IRM 21.9.2.4.2.9 (May 29, 2013).

hardships. The solution is not for TAS to take back these systemic burden IDT cases from the IPSU, but for the IPSU to meet the terms of the MOU signed in 2010, and become the quality operation envisioned and committed to by the IRS in 2010. The IRS should immediately adopt TAS's recommendations for improving IDT victim assistance, which generally follow TAS case processing procedures.

The National Taxpayer Advocate plans to visit and meet with IPSU employees in June, 2013, and attempt to improve this inadequate assistance. If the IRS fails to adopt her procedural recommendations, the National Taxpayer Advocate will issue a Taxpayer Advocate Directive on this matter and will develop guidance to her employees directing them to immediately issue Taxpayer Assistance Orders on IPSU cases that end up in TAS, ordering the IPSU to take the appropriate steps to resolve the case, rather than just passively monitoring these cases.

### ID Theft Filters Ensnare Too Many Legitimate Filers.

The IRS relies on a series of filters (which it calls "business rules") to safeguard an account from potential identity theft. When a taxpayer whose account has been marked with an identity theft indicator fails the business rules, the return will be marked "unpostable" – meaning it will not be processed. We have serious concerns about the currency and effectiveness of these business rules.

Taxpayers who were issued an Identity Protection Personal Identification Number (IP PIN) but did not use a valid IP PIN when filing returns will also have their returns marked unpostable, to prevent further incidents of IDT. The IRS established procedures to issue replacement IP PINs to taxpayers who misplaced the original IP PINs, but we have recently learned that all taxpayers who used a replacement IP PIN had their returns marked unpostable.<sup>16</sup>

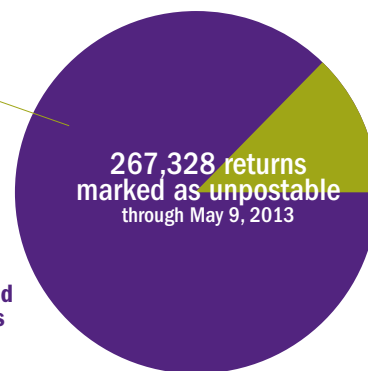
In 2013, through May 9, the IRS marked 267,328 returns as unpostable, an increase of 356 percent over the same period in 2012.<sup>17</sup> If a taxpayer files a

#### ID theft filters ensnare legitimate filers

87% of returns flagged as unpostable are eventually deemed legitimate

A taxpayer's return is delayed about 6 weeks if it is marked unpostable.

The IRS marked **356% more returns** as unpostable through May 9, 2013, as compared to the same period in 2012.



16 See IRM 3.28.4.5, *Unpostable Code (UPC) 147 Reason Code (RC) 0 and Reason Code (RC) 1* (Feb. 14, 2013).

17 The IRS is screening for more criteria which more create unpostable returns in 2013 than in 2012. See IRS, GUF Reports 5540 and 5570.

legitimate return that was erroneously marked unpostable, processing is delayed between 39 and 44 days, or about six weeks. Preliminary analysis suggests an astonishing 87 percent of tax returns flagged as unpostable are eventually deemed legitimate.<sup>18</sup>

The Taxpayer Advocate Service will work with the IRS to try to determine the cause of the spike in unpostable returns this year, and find out why the IRS did not adjust its filters once it realized the business rules were much too inclusive. It is not acceptable for so many legitimate taxpayers to be harmed by having their returns unnecessarily rejected and delayed.

The National Taxpayer Advocate has made many recommendations to the IRS to improve its identity theft procedures, and she sees little improvement in the overall program. Thus, in FY 2014, the National Taxpayer Advocate shall focus the full force of her statutory and administrative authority on this issue, including the issuance of Taxpayer Advocate Directives and Taxpayer Assistance Orders. Moreover, in FY 2014, TAS will:

- Measure the effects of the IRS's new specialized unit strategy and quickly identify any negative impact these procedures may have on taxpayers;
- Continue to work with the IRS on identity theft issues, recommending improvements and alternative approaches, with a particular focus on reducing the time it takes to completely and accurately resolve the case from the victim's perspective;
- Issue Taxpayer Advocate Directives to the IRS to improve IDT victim assistance procedures and Taxpayer Assistance Orders to assist IDT victims who suffer from significant hardship.
- Develop guidance for Local Taxpayer Advocates to issue Taxpayer Assistance Orders to expedite relief to taxpayers when IRS processes are inadequate or too lengthy to assist taxpayers who are suffering significant harm;
- Improve our own case processing by timely alerting case advocates of any changes in IRS procedures to avoid delays in correcting taxpayers' accounts;
- Elevate emerging identity theft schemes and processing issues identified in TAS casework for collaborative solutions with the IRS; and
- Educate TAS and NTA toll-free employees (who work for W&I) on appropriate criteria for accepting and referring systemic stolen identity cases.

18 IRS, GUF Reports 5540 and 5570. 99,037 legitimate taxpayers failed the business rules, out of 113,882 returns closed.



## D. Implementation of the IRS's Return Review Program Is at Extreme Risk, Which Could Cause Significant Harm and Cost

The Electronic Fraud Detection System (EFDS) is the IRS's primary frontline system for detecting fraudulent returns. Although it assisted the IRS in successfully preventing the release of over \$18 billion in fraudulent refunds,<sup>1</sup> TIGTA estimated the IRS may have paid \$5.2 billion in potentially fraudulent tax refunds on 1.5 million tax returns in tax year 2010.<sup>2</sup> Of the taxpayers who came to TAS in FY 2013 by March 31, 2013 because they had their refunds stopped for a closer review by the EFDS system and whose TAS cases were closed, almost 82 percent eventually received full or partial relief.<sup>3</sup>

The first attempt to replace EFDS failed and the IRS completed the 2006 filing season with no upfront fraud detection system in place. In 2009, the IRS began developing the Return Review Program (RRP) to replace EFDS. In 2010, the IRS declared EFDS "too risky to maintain, upgrade, or operate beyond 2014."<sup>4</sup>

The RRP system will automate many of the tasks that employees currently perform. For example, today when the IRS refers an EFDS case for audit, an employee inputs the taxpayer information on a spreadsheet and sends it to another office that opens and assigns the case. TAS has identified multiple instances where the case was lost because of this sort of manual action, which delays resolution and creates a significant burden on legitimate taxpayers caught up in these delays.

The potential benefits of RRP are widespread. In 2011 W&I stated:

(T)hat Congress has approved \$54M for IRS Modernization and Information Technology Services (MITS) to develop and implement RRP. RRP is expected to enhance revenue by \$28.8M per year when fully implemented, and its estimated five-year rate of return is 15.8K %.<sup>5</sup>

Despite this high level of return and significant monetary investment, the IRS is now forced to consider non-deployment or a limited deployment of RRP. On January 15, 2013, the Information Technology division reported that it did not have enough resources available to bring RRP online by the January 1, 2015 deadline.<sup>6</sup> Even with additional resources, the IRS would still need another year (until January 1, 2016) to complete the system.

Not deploying the RRP as intended could impose significant harm and cost on both the IRS and the public. An unexpected failure of the EFDS system would force the IRS to decide

1 IRS, W&I Business Performance Review 8 (Nov. 14, 2012).

2 TIGTA, Ref. No. 2013-40-015, *Improper Payments Elimination and Recovery Act Risk Assessments of Revenue Programs Are Unreliable* (Jan. 2013).

3 Data from TAMIS (Apr. 1, 2013). Of the 7,193 taxpayers whose cases were closed by TAS from October 1, 2012 to March 31, 2013 4,632 received full relief, 211 received partial relief, and in 1,021 cases the IRS provided relief after the taxpayer contacted TAS for a total of 5,864/7,193= 81.52 percent.

4 PIA 250 October 2, 2012. [http://www.irs.gov/pub/irs-utl/RRP\\_TS\\_pia.pdf](http://www.irs.gov/pub/irs-utl/RRP_TS_pia.pdf).

5 Wage & Investment Division Summary of Proposed FY 2013 Budget Initiatives (as of Feb. 1, 2011).

6 Email from Supervisory Tax Analyst Wage & Investment, Business Modernization dated Jan. 15, 2013.

whether to stop issuing refunds until the system could be repaired, or issue billions of dollars in potentially fraudulent refunds without screening. In addition, as EFDS becomes harder to update and maintain, it could erroneously stop an increasing number of valid refunds. The lack of automation to handle administrative adjustments and actions is straining the IRS’s limited resources as fraud and identity theft grow and staffing declines.

TAS has requested read-only access to the EFDS system for research and casework resolution purposes.<sup>7</sup> This access would give TAS employees the ability to review EFDS before issuing a manual refund, potentially preventing the issuance of an erroneous refund. It would also increase transparency and allow TAS to effectively advocate for taxpayers. However Wage and Investment has denied TAS access, even if it is limited to a sole TAS employee.

TAS continues to advocate, through various channels, for the full development and deployment of RRP at the earliest possible date. These channels include:

- Participation on multiple RRP development teams;
- Continuing discussions with business owners;
- Including RRP development delays as a Most Serious Problem in the 2013 Annual Report to Congress; and
- Pursuing access to EFDS through meetings and the issuance of a proposed Taxpayer Advocate Directive if circumstances warrant.

<sup>7</sup> Read-only access means TAS employees can only see the information contained within the system, but cannot edit or change the data in any way. As of June 21, 2013, W&I preliminarily agreed to grant TAS one read-only license to EFDS.

## E. Collection Update: The IRS's Tepid Approach to Implementing Recent Changes in Collection Policies Has Limited Taxpayer Access to Important Collection Options

In FY 2011 and 2012, the IRS implemented a series of collection-oriented operational policy changes collectively known as the “Fresh Start” initiative. In the 2012 Annual Report to Congress, the National Taxpayer Advocate commented on the positive trends related to the “Fresh Start” changes. She also noted that the IRS needed to place much more emphasis on delivering services to realize the full benefits of the initiative.<sup>1</sup> More importantly, the IRS needs to more actively support these policy changes through internal and external outreach and training in order to make them part of the Collection philosophy. While important, new policy guidance will only be effective when IRS employees, taxpayers, and tax professionals are aware of the changes and understand the reasoning behind them.

On the one hand, TAS has noted that the policy changes have yielded some positive trends within the Collection program. As of March in FY 2013, the IRS had accepted 15,634 offers in compromise (OIC), an increase of 65 percent over the same period in FY 2011. The overall acceptance rate for OICs was 44 percent at the midpoint of FY 2013.<sup>2</sup> The availability of lien withdrawals has continued to improve,<sup>3</sup> and policy-driven filings of Notices of Federal Tax Lien (NFTL) have declined by 50 percent over the same period in FY 2011.<sup>4</sup> These indicators reflect the intentions of the “Fresh Start” initiative, and represent positive trends that have developed throughout the prior two fiscal years.

On the other hand, the use of installment agreements (IA) for taxpayers to pay their tax debts continues to decline.<sup>5</sup> In light of the significant policy changes made to the “streamlined” IA criteria, the ongoing reduction in IA activity is a matter of concern. Further, while current trends involving the use of OICs and lien withdrawals are positive, the relatively small number of taxpayers receiving consideration for these collection options raises questions about the adequacy of taxpayer access to these important tools.

In the coming year, the National Taxpayer Advocate will examine the internal and external communication strategies employed by the IRS to implement the “Fresh Start” initiative. For example, TAS has noted that procedural guidance developed to implement the new policies has not yet been incorporated into the IRM, although many of the procedures have

1 National Taxpayer Advocate 2012 Annual Report to Congress 348-357 (*Introduction to Collection Issues: The IRS “Fresh Start” Initiative Has Produced Significant Improvements in Some Collection Policies; However, Significantly More Emphasis on Service Delivery Is Necessary to Realize the Full Benefits of These Important Changes*).

2 IRS, Collection Activity Report, NO-5000-108, *Report of Offer in Compromise Activity* (Apr. 2013). As of March 2013, the IRS accepted 15,634 and rejected 4,243 offers in compromise. Through March 2011, the IRS had accepted 9,490 offers and rejected 5,699.

3 IRS, Collection Activity Report, NO-5000-25, *Liens Report* (Apr. 2013). As of March 2013, the IRS issued 6,845 lien withdrawals, an increase of 18 percent over the same period in FY 2012.

4 IRS, Collection Activity Report, NO-5000-25, *Liens Report* (Apr. 2013). As of March 2013, the IRS had filed 307,842 Notices of Federal Tax Liens (NFTL), a decline of 50 percent over the same period in FY 2011.

5 IRS, Collection Activity Report, NO-5000-6, *Installment Agreement Report* (Mar. 2013). Since the “Fresh Start” initiative was implemented in February 2011, IAs for individuals and businesses have each declined by nine percent, while “streamlined” IAs for individuals and businesses have dropped by eleven and three percent, respectively.

been in place for over two years. TAS continues to encounter instances in casework and external outreach sessions where neither IRS Collection employees nor tax professionals are fully aware of the revised policies. Further, an ongoing internal review of TAS cases involving collection issues has confirmed that Collection employees are not routinely adhering to the revised procedures. Additionally, TAS will collaborate with the IRS to identify and remove procedural barriers that may be inadvertently limiting taxpayer access to the taxpayer-friendly provisions of the revised Collection policies.

### IRS Collection Policies and Procedures Are Not Effective in Resolving Cases Involving Small Business Taxpayers.

For several years, the National Taxpayer Advocate has voiced concerns about the IRS’s treatment of small business taxpayers with tax debts.<sup>6</sup> Particularly in the area of employment tax delinquencies, the IRS has proven to be slow to react and provide effective interventions with small business taxpayers. Employment taxes can accumulate rapidly and become exceptionally difficult to collect as they age. Still, the IRS continues to route taxpayers with new employment tax debts, as well as other accounts recorded on the Business Master File (BMF), to its Automated Collection System (ACS). In FY 2012, for example, the IRS sent 82 percent of new BMF taxpayer cases to ACS. However, the ACS does not appear to be effective in resolving these delinquencies. Of the BMF tax dollars routed through the ACS system in FY 2012, 78 percent left ACS as unresolved accounts.<sup>7</sup>

Ironically, IRS policies and procedural restrictions have created significant barriers for small business taxpayers, who cannot immediately pay in full, in resolving BMF tax debts with the ACS. In FY 2012, although the IRS directed 525,425 BMF taxpayer cases to ACS, the unit issued only 31,070 installment agreements on those accounts.<sup>8</sup>

ACS will not discuss an installment agreement, or even obtain a Collection Information Statement, when contacted by a business taxpayer if the delinquency involves unfiled returns.<sup>9</sup> In fact, the IRS does not train ACS assistors to secure and analyze business-related financial statements; nor are ACS assistors authorized to grant non-streamlined

6 National Taxpayer Advocate 2010 Annual Report to Congress, vol. 2, (*Research Study: An Analysis of the IRS Collection Strategy: Suggestions to Increase Revenue, Improve Taxpayer Service, and Further the IRS Mission*) ; National Taxpayer Advocate 2012 Annual Report to Congress, 358-380 (*Most Serious Problem: The Diminishing Role of the Revenue Officer Has Been Detrimental to the Overall Effectiveness of IRS Collection Operations*); National Taxpayer Advocate 2012 Annual Report to Congress, 381-402 (*Most Serious Problem: The Automated Collection System Must Emphasize Taxpayer Service Initiatives to Resolve Collection Workload More Effectively*).

7 IRS, Collection Activity Report, NO-5000-2, *Taxpayer Delinquent Account Report* (Oct. 2012). Looking at all cases reported on the IRS Business Master File (BMF), in FY 2012 the IRS routed delinquent BMF tax accounts valued at approximately \$3.5 billion to ACS, but the system only collected about \$394 million, or roughly 11 percent of the dollar value of the cases. Of the BMF tax cases that passed through the ACS system in FY 2012, 60 percent, or \$2.1 billion in delinquent revenue, were transferred to the Queue. An additional 12 percent of these cases, totaling approximately \$426 million, were ultimately transferred to the CFf. Approximately six percent of these accounts, or \$201 million, were systemically reported as currently not collectible.

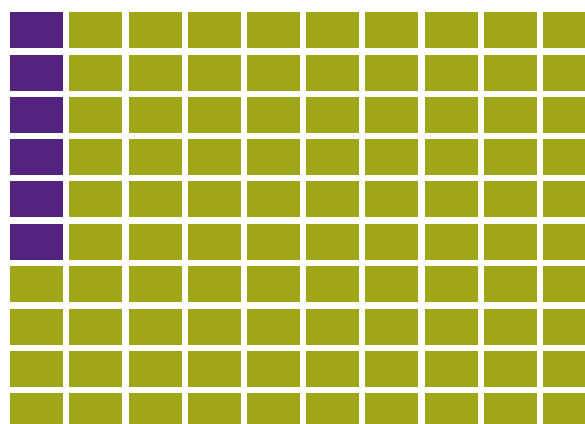
8 IRS, Collection Activity Report, NO-5000-6, *Installment Agreement Reports* (Oct. 2012); IRS, Collection Activity Report, NO-5000-2, *Taxpayer Delinquent Account Report* (Oct. 2012). The dollar value of the BMF accounts involving installment agreements issued by ACS in FY 2012 was approximately \$205 million.

9 IRM 5.19.1, *Balance Due* (Nov. 3, 2010).

installment agreements on employment tax cases.<sup>10</sup> Consequently, BMF accounts assigned to field-based revenue officers are frequently aged, and involve problems that are much more difficult to resolve.

As the nation's economy continues to recover slowly, the IRS needs to be more responsive and flexible in working with small business taxpayers, with a goal of helping otherwise viable businesses get back into compliance. The National Taxpayer Advocate will work with the IRS in identifying Collection policies that serve more as barriers than potential solutions for small businesses attempting to resolve tax debts. She will continue to urge the IRS to use more of its Collection resources to service these accounts in a timely, problem-solving manner.

### Automated Collection System issues installment agreements in just 6% of business tax cases



In FY 2012, although the IRS directed 525,425 business taxpayer cases to ACS, the unit issued only 31,070 installment agreements on those accounts.

### TAS Advocacy and Collaboration with the IRS Result in Safeguards for Taxpayers Facing Foreclosure Actions.

The National Taxpayer Advocate and her staff have worked very closely with the IRS to develop procedures that protect taxpayer rights in cases where the IRS is considering a judicial foreclosure sale of a taxpayer's home to collect delinquent taxes. This important guidance has been completed and formally issued as of April 30, 2013.<sup>11</sup> The new policy requires Collection, prior to initiating foreclosure suits, to consider precautions similar to those required for seizures of personal residences. The IRS guidance includes direction to Collection staff to attempt personal contact with the taxpayer and consider other payment options before initiating a suit to foreclose on a primary residence. When the foreclosure may create economic hardship, the guidance requires Collection to inform the taxpayer of the availability of TAS assistance prior to sending the recommendation for a suit to the Department of Justice.

<sup>10</sup> IRS response to TAS information request (Sept. 13, 2012).

<sup>11</sup> IRS, *Principal Residence Suit Foreclosure Recommendations*, SBSE 05-0413-035 (Apr. 30, 2013).

TAS has recently become aware that the IRS has recommended foreclosure actions where the negative impact on the taxpayers would be severe. Although the taxpayers were already dealing with documented economic hardships, the suit recommendations still went forward. Of particular concern was that revenue officers had documented in the case histories that seizure would not be appropriate due to the taxpayers' circumstances, but did not perceive the recommendations for judicial foreclosure in the same manner – even though the results of a foreclosure suit and an administrative seizure are essentially the same.

Reflecting statutory protections, IRS Collection policies require that the seizure and sale of a taxpayer's principal residence generally occur only after a thorough review of the taxpayer's circumstances, full consideration of alternative collection methods, and confirmation that the seizure will not create economic hardship.<sup>12</sup> The IRC specifies the actions required prior to initiating the seizure of a taxpayer's assets, and provides special rules related to the seizure and sale of a principal residence.<sup>13</sup> As a matter of IRS policy, seizure is generally the last option considered in the collection process.<sup>14</sup> With the issuance of the new guidance, it is now IRS policy that suits to foreclose on a taxpayer's home should be approached in a similar manner, with proper consideration for the potentially negative impact on the taxpayer or other occupants. The National Taxpayer Advocate sincerely appreciates the cooperation and support of the IRS in developing and implementing this important new policy. In FY 2014, the National Taxpayer Advocate will recommend that this issue be included in the Treasury Department's Priority Guidance Plan for incorporation into the official Treasury Regulations.

### **The Federal Payment Levy Program (FPLP) Continues to Harm Taxpayers Suffering Economic Hardship.**

TAS continues to assist taxpayers experiencing economic hardship whose income or bank accounts are being levied. IRC § 6343(a)(1)(D) requires the IRS to release a levy if the taxpayer is in economic hardship, and according to the holding in *Vinatieri v. Commissioner*, the IRS cannot proceed to levy on a taxpayer in economic hardship, even where there are unfiled returns.<sup>15</sup> Pursuant to the Federal Payment Levy Program (FPLP), authorized by IRC § 6331(h), the IRS may continuously levy up to 15 percent of certain federal payments, including Social Security benefits, on taxpayers with unpaid tax liabilities.

In light of a 2008 National Taxpayer Advocate study of more than 185,000 FPLP cases which suggested a significant number of taxpayers were subject to levies on their Social Security income even though the levy would create an economic hardship – requiring immediate levy release under IRC § 6343(a)(1)(D) – the IRS agreed to adopt a filter designed

<sup>12</sup> Treas. Reg. § 301.6334-1(d). See also IRM 5.10.1, IRM 5.10.2.18.

<sup>13</sup> IRC §§ 6331(j) and 6334(e). The IRS cannot levy on a taxpayer's residence without obtaining court approval first.

<sup>14</sup> IRM 1.2.14.1.8, Policy Statement 5-34.

<sup>15</sup> *Vinatieri v. Comm'r*, 133 T.C. 392 (2009). The Tax Court held that the IRS abused its discretion when it determined to proceed with a levy on the bank account of a taxpayer with unfiled returns, even though the taxpayer had shown she was in economic hardship.

to prevent FPLP levies on low income taxpayers.<sup>16</sup> The filter, triggered when taxpayer income is below 250 percent of the federal poverty level, is a proxy for hardship under IRC § 6343(a)(1)(D).<sup>17</sup> The *Vinatieri* case had not yet been decided when the IRS agreed to implement the filter, and the filter excluded accounts of taxpayers with indications of unfiled returns.<sup>18</sup> Consequently, the IRS still places FPLP levies on payments to taxpayers in economic hardship. TAS advocates with the IRS to release these levies, place the accounts in currently not collectible (CNC) status, and return any levy proceeds to the taxpayer.<sup>19</sup>

The National Taxpayer Advocate believes that excluding taxpayers from the FPLP filter because of unfiled returns contravenes the holding in *Vinatieri*, causes the IRS to treat similarly situated taxpayers differently, and leads to negligent collection actions which could give taxpayers the right to recover damages in a suit before a US district court.<sup>20</sup> The existence of unfiled returns does not vitiate the mandate of IRC § 6343(a)(1)(D): where a taxpayer is in economic hardship, the IRS must release the levy. The FPLP filter is a proxy for economic hardship, and a taxpayer's economic hardship is not a function of whether there are delinquent returns. In FY 2014, we will continue to advocate for reprogramming the FPLP filter to include accounts of taxpayers with indications of unfiled returns. The National Taxpayer Advocate has already issued a Taxpayer Assistance Directive (TAD) on this issue which was appealed by the Commissioner of Small Business/Self-Employed.<sup>21</sup> The National Taxpayer Advocate will now elevate this TAD to the Deputy Commissioner and Commissioner of Internal Revenue if necessary.

### IRS Procedural Barriers Needlessly Restrict or Delay Taxpayer Access to Collection Payment Options.

The IRS Restructuring and Reform Act of 1998 (RRA 98) included provisions to ensure taxpayers have fair access to IRS payment options, such as installment agreements (IA)

16 National Taxpayer Advocate 2008 Annual Report to Congress vol. 2, *Building a Better Filter: Protecting Lower Income Social Security Recipients from the Federal Payment Levy Program*.

17 The Deputy Commissioner of the Small Business/Self-Employed division, the Commissioner of the Wage & Investment division, and the Director of Campus Compliance requested TAS to identify an appropriate filter amount, then agreed with TAS that 250 percent of the federal poverty level fairly approximates the regulatory definition of significant hardship for Social Security recipients and makes it unnecessary to construct an algorithm to identify taxpayers who would experience economic hardship.

18 For a complete discussion of the FPLP and the IRS's implementation of the FPLP filter, see National Taxpayer Advocate 2011 Annual Report to Congress 350, 353 (Most Serious Problem: *The New Income Filter for the Federal Payment Levy Program Does Not Fully Protect Low Income Taxpayers from Levies on Social Security Benefits*).

19 IRC § 6343(d)(2) authorizes the IRS to return levied payments where: the levy was premature or otherwise not in accordance with administrative procedures; the taxpayer has entered into an installment agreement, unless the agreement provides otherwise; the return of such property will facilitate the collection of the tax liability, or with the consent of the taxpayer or the National Taxpayer Advocate, the return of such property would be in the best interests of the taxpayer (as determined by the National Taxpayer Advocate) and the United States.

20 IRC § 7433 authorizes a civil action for damages against the United States in district court based upon the negligent or reckless or intentional disregard by IRS personnel of any provision of the Internal Revenue Code or any Regulation promulgated thereunder in connection with the collection of federal tax.

21 Taxpayer Advocate Directive 2012-2 (*Taxpayers Whose Incomes Are Below 250 percent of the Federal Poverty Level Set by the Department of Health and Human Services and who receive Social Security or Railroad Retirement Board Benefits Should Be Screened Out of the Federal Payment Levy Program (FPLP) regardless of unfiled returns or outstanding business debts*) Jan. 12, 2012, available at <http://ccintranet.prod.irsounsel.treas.gov/OrgStrat/Offices/CNTA/Pages/default.aspx>.



and offers in compromise (OIC).<sup>22</sup> This legislation requires the IRS to refrain from levying when a taxpayer proposes an IA or OIC as a potential resolution for a tax debt, and while the taxpayer’s proposal is pending, *i.e.*, being considered by the IRS.<sup>23</sup> If the IRS rejects the proposed OIC or IA, the taxpayer has a right to appeal the rejection.<sup>24</sup> The IRS has implemented procedures that serve to narrow the impact of these legislated safeguards and restrict taxpayer access to these important payment options.

Upon enactment of RRA 98, the IRS developed criteria to define when an IA or OIC would be considered “pending,” as well as procedures to allow for immediate rejection of the taxpayer’s proposal when it is determined to be frivolous, and made “solely to delay” collection action. Over the years, however, the IRS has increasingly used these criteria to restrict taxpayer access to installment agreements, and reject IAs and OICs without full consideration.

For example, a proposal for an IA or OIC may be classified as being made “solely to delay” when a taxpayer submits a request as a result of being advised by the IRS of a planned levy action, even when the taxpayer’s proposal is not clearly frivolous.<sup>25</sup> The IRS will not consider a taxpayer’s request for an IA as “pending” if the taxpayer has unfiled returns.<sup>26</sup> Moreover, the IRS will modify a taxpayer’s proposed IA by increasing the payment amount to make the IA fit streamlined criteria.<sup>27</sup> This is done without the taxpayer’s consent or agreement. TAS has objected to this practice for well over a year, but it continues to this day. This practice deprives taxpayers their right to have their IA proposal considered and if denied, an independent review and an opportunity to appeal the denial as required by IRC § 7122(e). In response to TAS concerns over this practice the IRS has proposed that if a taxpayer does not meet “streamlined” IA criteria and does not include a completed financial statement with an IA proposal, it will not consider the taxpayer’s request a “pending IA,” and therefore may not afford the taxpayer the protections envisioned in RRA 98.

IRS policy states that taxpayers do not qualify for installment agreements if balance due accounts can be “fully or *partially* (emphasis included in the IRM) satisfied by liquidating assets,” unless certain equitable factors are present or the case meets “streamlined” criteria.<sup>28</sup> While this policy allows for consideration of special circumstances, TAS and the Tax Court have seen cases where IRS employees have rigidly adhered to IRM direction to recommend the rejection of IA proposals if the taxpayers do not liquidate assets and make full or partial payment by a set date.<sup>29</sup>

22 Pub L. 105-206, 112 Stat. 685 (1998).

23 IRC § 6331(k).

24 IRC §§ 6159(f) and 7122(e).

25 IRM 5.14.3.2.

26 IRM 5.14.1.4.1(4).

27 IRM.19.1.5.5(16) and IRM 5.19.1.6(21).

28 IRM 5.14.1.4 (5) and (6).

29 For example, *Antioco v. Comm’r*, T.C. Memo. 2013-35.



The National Taxpayer Advocate is concerned that the inflexibility of the IRS in these situations may have a chilling effect on the willingness of taxpayers to contact the IRS and voluntarily attempt to resolve tax debts in a reasonable manner. In FY 2014, TAS will advocate and work with the IRS to review and revise these and other IRS procedural requirements that appear to only serve as barriers to taxpayer access to IAs and OICs. If the IRS fails to adopt guidance that addresses our concerns, the National Taxpayer Advocate will issue a Taxpayer Advocate Directive, elevating the matter to the Commissioner of Internal Revenue.

## F. The TAS Collection Case Review Yielded Valuable Insights on How TAS Can Improve Advocacy in Collection Cases

In December 2012, TAS’s Executive Director for Case Advocacy assembled a team of about 40 employees with extensive knowledge of collection issues, processes, and procedures to participate in an Issue Review Panel.<sup>1</sup> In February 2013, the panel reviewed 825 TAS collection cases (*i.e.*, cases involving levies, liens, CNC accounts, installment agreements, and offers in compromise) that had been closed during calendar year 2012. The panel, working in eight teams, collected information about each case using a data collection instrument. The panel investigated:

- Barriers to maximizing advocacy and providing relief in collection cases;
- Trends that reveal gaps in processes, procedures, or guidance;
- Deficiencies in training and access to tools that might help address deficiencies;
- The adequacy of management intervention and guidance to advance these cases to accurate and timely resolution;
- Correlations between advocacy efforts and TAS measures and indicators; and
- The IRS’s level of adherence to the “Fresh Start” Initiative in TAS casework.

The panel summarized the data gathered from the DCI and conducted four focus groups with employees who had participated in the review. Overall, the review shows that TAS worked with the appropriate sense of urgency in 64 percent of the cases and advocated and got to the right answer 63 percent of the time. Additional findings include:

- TAS frequently did not start out on the right foot - the initial analysis was on point in three out of four cases.
- TAS used all appropriate collection research tools<sup>2</sup> in nearly 75 percent of the cases.
- TAS sought the assistance of TAS technical experts, the Internal Technical Advisor Program (ITAP) advisors, in only 12 percent of the cases, and in only slightly more than half of these cases was ITAP assistance sought in a timely manner. ITAP involvement was critical to resolution in these cases.
- Taxpayers were provided an explanation of appeal rights, where appropriate, in fewer than 50 percent of the cases.
- TAS issued TAOs in less than one percent of the cases, when they should have been issued in another 4.5 percent of the cases.

In addition, the focus group discussions suggested TAS employees did not know the basics of the CIS, *Collection information Statement* (CIS), Form 433, which is needed in

<sup>1</sup> Taxpayer Advocate Service (TAS) FY 2013 Collection Panel Study (May 31, 2013).

<sup>2</sup> Collection research tools for this review included Accurant®, Automated Insolvency System (AIS), Automated Lien System (ALS), Automated Offers In Compromise Data Store (AOIC), Automated Collection System (ACS), and Integrated Collection System (ICS).

virtually every collection case. Another recurring theme was the reluctance to oppose, or “push back,” when dealing with revenue officers. These findings led to the following recommendations:

### ***I. Master the Collection Information Statement.***

Case advocates need to have a complete understanding of the taxpayer’s Form 433 because it captures relevant financial information and sheds light on what collection alternatives are appropriate. The first recommendation is to provide in-depth education to advocates and managers on how to analyze and prepare Forms 433.

### ***II. Understand the Proper Use of Advocacy Tools.***

Case advocates need to have a thorough understanding of collection advocacy tools and the types of relief available to taxpayers. Recommendations to improve in this area include:

- Promote the importance of using IRS collection systems in case building through case studies already available in TAS Collection training materials.
- Reinforce through quarterly workshops the importance of effective initial actions, the role ITAP plays in attaining better case resolution, and how to protect taxpayers’ appeal rights.
- Include initial analysis, ITAP referrals, and protection of appeal rights as items reviewed on collection cases as part of the Executive Director for Case Advocacy’s FY 2014 advocacy reviews.
- Create simulations in which case advocates practice identifying collection alternatives, presenting alternatives to the IRS, and negotiating for the taxpayer based on the facts and circumstances of the case.

### ***III. Empower Employees and Promote Managerial Involvement.***

TAS can only issue a TAO effectively if employees elevate appropriate cases to management. Moreover, targeted managerial involvement in collection cases can be effective in moving the case toward resolution. Recommendations to improve in this area include:

- Encourage elevating for TAO consideration cases in which the IRS rejects or ignores an Operations Assistance Request (OAR) by including this criterion in the FY 2014 Program Letter review requirements (*i.e.*, rejected or ignored OARs will be reviewed by the Lead Case Advocate, Taxpayer Advocate Group Manager, or Local Taxpayer Advocate for consideration of a TAO).
- Determine the key points in collection cases at which managers should be involved to ensure the correct issues are being worked and the case is progressing toward the best outcome. Recommend changes to the related FY 2014 TAS Program Letter review requirements, if necessary.

We believe adopting these recommendations will not only improve relief rates and customer satisfaction in collection cases, but will provide benefits such as enhanced employee satisfaction and reduced cycle times that will very likely “spill over” into other TAS case types.

## G. TAS Prepares for Implementation of Health Care Provisions

For the past few years, TAS has maintained a close eye on all IRS activities concerning the Affordable Care Act (ACA).<sup>1</sup> As we approach 2014, TAS is preparing for the IRS's full implementation of the ACA, specifically the Premium Assistance Tax Credit,<sup>2</sup> the individual shared responsibility requirement,<sup>3</sup> and the employer shared responsibility requirement.<sup>4</sup> One area of serious concern that TAS will be focusing on is the lack of deficiency procedures for the shared responsibility payment. The shared responsibility penalty is assessed and collected in the same manner as an assessable penalty under subchapter B of chapter 68 of the Internal Revenue Code.<sup>5</sup> This means the payment is not subject to the deficiency procedures of subchapter B of chapter 63 of the Code. Without deficiency procedures, the taxpayer does not have the ability to petition the Tax Court for a redetermination of the penalty. TAS is concerned about this lack of access to Tax Court for taxpayers and will be pursuing a legislative change to this issue in FY 2014.

Previously, TAS's actions relative to the ACA have involved working with the IRS on implementation efforts and educating TAS employees and others about the coming changes to the tax laws. In FY 2013, TAS's efforts have increased, with the focus on ensuring that TAS employees can assist taxpayers when problems arise and educating taxpayers on where to seek help with problems or questions.

### Case Advocacy Efforts

To be ready for implementation of the main tax provisions of the ACA, TAS has developed issue codes that will allow us to track health care cases, advocate for taxpayers, and identify trends or systemic issues. The new issue codes will help the National Taxpayer Advocate to identify the most serious taxpayer problems related to the new provisions. In FY 2014, TAS will assess the skills of its employees in using the new codes to determine if additional training is necessary.

### Systemic Advocacy Efforts

As the IRS implements the ACA provisions, TAS's Office of Systemic Advocacy monitors any emerging systemic issues. In FY 2014, Systemic Advocacy will continue its efforts to identify such issues before they impact taxpayers and work with the IRS to resolve them. Systemic Advocacy will also work with TAS's Local Taxpayer Advocates and track issues submitted on the Systemic Advocacy Management System (SAMS) to identify systemic

<sup>1</sup> See Patient Protection and Affordable Care Act of 2009, Pub. L. No. 111-148, 124 Stat. 119 (Mar. 23, 2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (Mar. 30, 2010).

<sup>2</sup> IRC § 36B.

<sup>3</sup> IRC § 5000A.

<sup>4</sup> IRC § 4980H.

<sup>5</sup> IRC § 5000A(g)(1).

problems.<sup>6</sup> TAS anticipates that it will begin to see these issues as taxpayers begin enrolling in health care plans and signing up for the Premium Assistance Tax Credit. Systemic Advocacy will ensure those issues are identified and elevated for resolution.

## Health Care Training for TAS Employees

In FY 2014, TAS will train all its employees on the ACA provisions and prepare them to help taxpayers. This will include immediate training on what employees need to know in advance of open enrollment in health insurance exchanges. TAS’s long-term training plan, which will begin in FY 2014, will include in-depth instruction on the Premium Assistance Tax Credit, Individual Responsibility Requirement, and Employer Responsibility Requirement. All TAS employees will receive this training, with additional studies for technical advisors who will serve as health care experts for complicated cases. At the end of FY 2014 and going into FY 2015, TAS will conduct another round of training to prepare case advocates to handle cases they may receive when taxpayers begin filing their tax year 2014 returns.

TAS will also train Low Income Taxpayer Clinic (LITC) staff at the LITC annual conference in FY 2014 to help ensure that those tax professionals are educated about the tax provisions of the ACA that are relevant to the low income taxpayers they assist.<sup>7</sup> We will also look for opportunities to provide virtual training for the clinics to prepare them for cases stemming from the ACA.

### Affordable Care Act training for TAS employees

#### FY 2014

- Immediate training on issues in advance of open enrollment in the health insurance exchanges
- Training for Low Income Taxpayer Clinic (LITC) staff at their annual conference in FY 2014 and eventually, virtual training on ACA
- Future in-depth instruction on the Premium Assistance Tax Credit, Individual Responsibility Requirement, and Employer Responsibility Requirement
- Additional studies for technical advisors who will serve as health care experts for complicated cases

#### Into FY 2015

- Training to prepare case advocates to handle cases that may come in once individuals begin filing their 2014 tax year returns

<sup>6</sup> For a list of advocacy portfolios, see Appendix VIII, *infra*. Individuals can submit a potential systemic issue to SAMS at [www.irs.gov/sams](http://www.irs.gov/sams). SAMS allows TAS to record and manage advocacy activities that benefit groups of taxpayers.

<sup>7</sup> See *Integrated Low Income Taxpayer Clinic Technology: Grant Solutions*, *infra*.

## Communications and Outreach Efforts

TAS has also taken steps to provide assistance and education to taxpayers regarding the ACA. TAS developed an estimator for the Small Business Health Care Tax Credit,<sup>8</sup> which allows small businesses to estimate their credits and find out how changes in circumstances will impact their eligibility.<sup>9</sup>

TAS continued its outreach efforts by participating in the Families USA Conference in February, where a TAS representative spoke with the health care community about the tax implications of the ACA and how to counsel clients who may be struggling with tax issues.<sup>10</sup> TAS will expand its outreach in FY 2014 by requiring all LTAs to conduct grassroots outreach to health care groups in their communities. A focus of TAS's outreach efforts will be to educate taxpayers who are receiving premium tax credits (in the form of premium subsidies) about the critical need to update their information with the exchanges throughout the year, either to increase their credit amount or avoid a tax liability if changes result in eligibility for a smaller credit. TAS believes this is a critical message for taxpayers that should be provided on a continual basis.

Additionally, because many such organizations do not regularly deal with tax issues, it is critical for TAS to educate them about where to go if they have questions or concerns. The unique intersection of taxes and health care in the ACA also makes it important to talk with health care and social services groups about the tax implications of certain health care decisions so they provide their clients with the most comprehensive and accurate information. TAS is developing outreach materials on a number of health care issues that LTAs and others can use. TAS is also developing outreach videos for the TAS toolkit (at [www.TaxpayerAdvocate.irs.gov](http://www.TaxpayerAdvocate.irs.gov)) to educate taxpayers on the ACA provisions and what they need to know prior to 2014.

### Ongoing Efforts with the IRS

TAS continues to participate in regular briefings with senior IRS officials and the ACA office, and holds bi-weekly internal meetings. Additionally, TAS is reviewing all draft guidance to identify potential issues prior to implementation. As the IRS moves to implement the major tax provisions of the

## The Taxpayer Advocate Service is Your Voice at the IRS...

and that means keeping a close eye  
on the Affordable Care Act



TAS is reviewing all draft guidance to  
identify issues before implementation.

As the IRS moves forward, TAS will  
continue to solicit comments and  
observations from taxpayers and  
elevate issues that may arise.



<sup>8</sup> See IRC § 45R.

<sup>9</sup> The estimator is available at <http://www.taxpayeradvocate.irs.gov/Businesses/Small-Business-Health-Care-Tax-Credit-Estimator>. For more detailed information regarding the Small Business Health Care Tax Credit, including eligibility rules and IRS guidance, see <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers> (last visited Mar. 26, 2013).

<sup>10</sup> Families USA works to promote high-quality, affordable health care for all Americans and hosts an annual conference to discuss various health care issues. For more information about Families USA and their annual conference, see <http://www.familiesusa.org/> (last visited Apr. 2, 2013).

ACA, TAS will continue to solicit comments and observations from taxpayers, TAS and IRS employees, and stakeholders on potential systemic issues that may need to be raised in the Annual Report to Congress.



## H. The IRS has Revoked the Exempt Status of Thousands of Organizations in Error, Causing Significant Harm to Taxpayers

The National Taxpayer Advocate remains concerned about how the IRS, through the Tax Exempt and Government Entities division (TE/GE), implements provisions of the Pension Protection Act of 2006 (PPA).<sup>1</sup> The PPA mandates automatic revocation of the tax-exempt status of organizations that fail to file required returns or e-Postcards for three consecutive years. However, TE/GE has revoked the exempt status of thousands of organizations in error,<sup>2</sup> and in April of 2013 it notified TAS that recent changes to its software have caused hundreds more such revocations.

One programming change caused IRS computers to calculate the three-year nonfiling period with reference to the date the organization obtained its Employer Identification Number (EIN),<sup>3</sup> rather than the effective date of its exempt status. For example, the IRS would treat an organization that obtained its EIN in 2007 as having had reporting obligations since 2007, even if the organization was not active or operational until it obtained recognition of its exempt status in 2011. Systemic review of filing activity would show three or more consecutive years of nonfiling (2007-2010) and the IRS would notify the organization it was no longer exempt in the very year it was granted exempt status. The IRS cannot identify organizations that have been or will be affected by this programming condition and therefore cannot avoid the erroneous notifications. Instead, it relies on affected organizations to come forward and seek relief. Only then does the IRS restore the organization to exempt status on its databases and issue a letter reflecting this action.

A separate programming change affected reinstated organizations, as IRS databases did not reflect the new status of some organizations as reinstated, with a new three-year automatic revocation period. This caused the IRS to revoke exempt status a second time, shortly after granting reinstatement. The IRS resolved the problem for many of these organizations, but may have overlooked some, which may now seek assistance from TAS.

TAS alerted its employees to the TE/GE programming errors and described how to advocate for affected taxpayers.<sup>4</sup> In FY 2014, TAS will work with TE/GE to resolve the problems the programming changes have caused for taxpayers.

<sup>1</sup> The Pension Protection Act of 2006, Pub. L. No. 109-280 § 1223, 120 Stat. 780, 1090 (Aug. 17, 2006).

<sup>2</sup> See, e.g., National Taxpayer Advocate 2012 Annual Report to Congress 192 (Status Update: *Overextended IRS Resources and IRS Errors in the Automatic Revocation and Reinstatement Process are Burdening Tax-Exempt Organizations*); National Taxpayer Advocate 2011 Annual Report to Congress 437 (Status Update: *The IRS Makes Reinstatement of an Organization's Exempt Status Following Revocation Unnecessarily Burdensome*).

<sup>3</sup> An EIN is a nine-digit number assigned by the IRS to sole proprietors, corporations, partnerships, estates, trusts, and other entities for tax filing and reporting purposes. See Form S-4, *Application for Employer Identification Number*.

<sup>4</sup> TAS added new questions 16 and 17 to the Question and Answer document linked on its internal employee website, available at <http://tas.web.irs.gov/cat/issuecodes/ici/6980.aspx>.

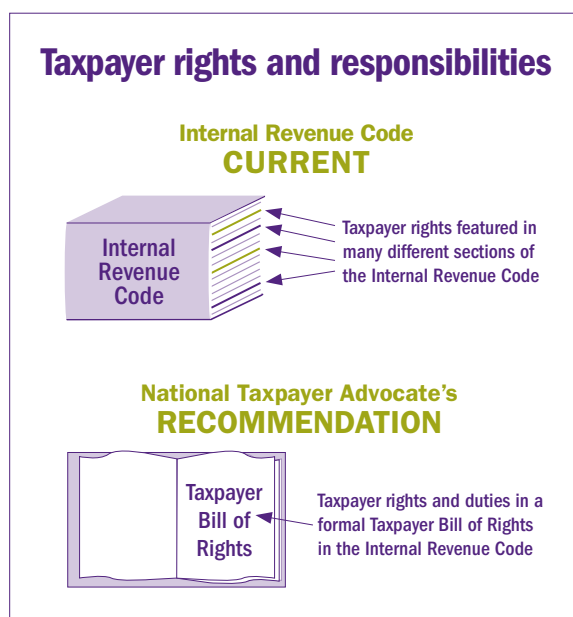
## I. TAS Works to Ensure Taxpayers Know Their Rights and Obligations

The United States tax system reflects a social contract between the government and its taxpayers. Within this unwritten contract, taxpayers have obligations such as reporting and paying tax, and the IRS has obligations to taxpayers to provide service and oversight. Taxpayer rights are a fundamental part of this agreement. Although the Internal Revenue Code contains numerous taxpayer rights scattered throughout different sections, it does not contain any clear, consolidated list of these rights. Many taxpayers are not even aware that they have rights. In a 2012 survey commissioned by TAS, only 46 percent of U.S. taxpayers said they believed they have rights before the IRS, and only 11 percent said they knew what those rights were.<sup>1</sup> The National Taxpayer Advocate believes that it is in the best interests of taxpayers and tax administration for these rights and duties to be articulated in a formal Taxpayer Bill of Rights and codified in the IRC.<sup>2</sup>

In the first Taxpayer Bill of Rights legislation (TBOR I), Congress required the IRS to prepare a statement of the rights of taxpayers and the obligations of the IRS and distribute it to taxpayers when contacting them regarding the determination of tax or collection of tax.<sup>3</sup> Currently, the IRS outlines these rights for taxpayers in Publication 1, *Your Rights as a Taxpayer*,<sup>4</sup> which TAS is revising to communicate rights effectively, and in plain language.

In 2011, TAS conducted focus groups with tax professionals at the IRS Nationwide Tax Forums to learn about tax professionals' and taxpayers' awareness of their rights and to learn how effective Publication 1 is in educating taxpayers. The focus groups looked into whether taxpayers:

- Understood the purpose of Publication 1;
- Knew that Publication 1 was an official document advising them of their rights;
- Thought Publication 1 was effective;



1 Forrester Research Inc., The TAS Omnibus Analysis, from North American Technographics Omnibus Mail Survey, Q2/Q3 2012, 19-20 (Sept. 17, 2012).

2 See National Taxpayer Advocate 2007 Annual Report to Congress 478-89; National Taxpayer Advocate 2011 Annual Report to Congress 493-518.

3 Technical and Miscellaneous Revenue Act of 1988, Pub. L. No. 100-647, § 6227, 102 Stat. 3342, 3730-31. (Nov. 10, 1988).

4 IRS Pub. 1, *Your Rights as a Taxpayer* (Sept. 2012).

- Received it at the appropriate time;
- Thought it contained too much or too little information; and
- Would better understand their rights and be more likely to uphold their responsibilities if Publication 1 also discussed taxpayer obligations.

One of the most frequent comments during these focus groups was that taxpayers did not read the publication. Tax professionals made multiple suggestions for changing when and how taxpayers receive the publication, as well as changing it from a paper insert to other formats, such as a poster in an IRS Taxpayer Assistance Center (TAC).

TAS plans to conduct focus groups later in FY 2013 on an outreach strategy to educate taxpayers on their rights as taxpayers (as described in IRS Publication 1). A vendor will hold the sessions in four locations (in the Northeast, South, Midwest, and West Coast), holding separate discussions for taxpayers and practitioners. These focus groups will ask taxpayers what rights they know they have and which ones they think are important, will explore how taxpayers receive information, when and where they learn about their rights, and what format for this information would be most effective. The results will assist TAS in understanding attitudes of taxpayers and practitioners on taxpayer rights. TAS then plans to revise Publication 1, and based on the findings from these focus groups, may recommend changes to how the IRS distributes the information and in what form. In 2014, TAS will draft a revised Publication 1 and conduct another round of focus groups to seek reactions. The goal of the revised Publication 1 is to give taxpayers a meaningful opportunity to become informed about their rights and responsibilities.

J. IRS Offshore Voluntary Disclosure Programs Continue to Burden “Benign Actors” and Damage IRS Credibility

The IRS offered a series of offshore voluntary disclosure (OVD) programs to settle with taxpayers who had failed to report offshore income and file one or more related information returns (e.g., Form TD F 90–22.1, *Report of Foreign Bank and Financial Accounts* (FBAR)).<sup>1</sup> As described in prior reports, these programs apply a one-size-fits-all approach designed for “bad actors” to “benign actors” who inadvertently violated the rules, requiring them to opt-in and then opt-out, and subjecting them to lengthy examinations and draconian civil and criminal penalties.<sup>2</sup>

**Offshore Voluntary Disclosure programs don't consider different circumstances**



“Benign Actor”

=



“Bad Actor”

**IRS's one-size-fits-all approach treats benign actors the same as bad actors**

A “benign actor” who inadvertently violates the rules may be subject to lengthy examinations and draconian civil and criminal penalties.

A Government Accountability Office (GAO) analysis shows that the offshore penalty paid by those with the smallest accounts (i.e., those in the 10th percentile with accounts of \$78,315) was disproportionate – at least 575 percent of the tax, interest, and penalties on their unreported income.<sup>3</sup> It was also disproportionately greater than the amount paid by those with the largest accounts (i.e., those in the 90th percentile with accounts of more than

1 The Bank Secrecy Act (BSA) requires U.S. citizens and residents to file an FBAR so the government can better detect those engaged in tax evasion, terrorism, and money laundering. See generally 31 U.S.C. § 5321(a)(5); 31 C.F.R. § 1010.350; Internal Revenue Manual (IRM) 4.26.16 (July 1, 2008); Joint Committee on Taxation (JCT), JCS-5-05, General Explanation of Tax Legislation Enacted in the 108th Cong. 377-78 (May 2005). The terms of these programs are all promulgated by frequently asked questions (FAQs) posted to various IRS websites, rather than published in the Internal Revenue Bulletin, as the IRS had done with earlier programs. See IRS, Voluntary Disclosure: Questions and Answers, <http://www.irs.gov/uac/Voluntary-Disclosure:-Questions-and-Answers> (first posted May 6, 2009); IRS, 2011 Offshore Voluntary Disclosure Initiative Frequently Asked Questions and Answers, <http://www.irs.gov/Businesses/International-Businesses/2011-Offshore-Voluntary-Disclosure-Initiative-Frequently-Asked-Questions-and-Answers> (first posted Feb. 8, 2011); IRS, Offshore Voluntary Disclosure Program Frequently Asked Questions and Answers, <http://www.irs.gov/Individuals/International-Taxpayers/Offshore-Voluntary-Disclosure-Program-Frequently-Asked-Questions-and-Answers> (first posted June 26, 2012).

2 In addition to criminal penalties, the maximum civil penalty for “willfully” failing to report foreign accounts on an FBAR is severe – the greater of 50 percent of the account or \$100,000 per year. 31 U.S.C. § 5321(a)(5)(C). Specific problems with these settlement programs are described in prior reports. See, e.g., National Taxpayer Advocate 2012 Annual Report to Congress 134-153; National Taxpayer Advocate 2011 Annual Report to Congress 191-205 and 206-72; National Taxpayer Advocate Fiscal Year 2013 Objectives Report to Congress 7-8 and 21-29. See also Taxpayer Advocate Directive 2011-1 (Aug. 16, 2011).

3 See GAO, GAO-13-318, *IRS Has Collected Billions of Dollars, but May be Missing Continued Evasion* 13 (Mar. 2013) (TAS analysis of data reflected on Table 2).

\$4 million) who paid 86 percent or less.<sup>4</sup> Moreover, the IRS initially processed applications from benign actors who are expected to opt out much more slowly than others, though it has recently begun to process them more quickly, as shown by the following table.

**FIGURE II.4, OVD PROGRAM APPLICATIONS, DISPOSITIONS, AND PROCESSING TIMES (AS OF JUNE 7, 2013)<sup>5</sup>**

	2009 OVDP		2011 OVDI		2012 OVDP	
	Number	Average Days to Closure	Number	Average Days to Closure	Number	Average Days to Closure
Total certifications applicants	10,792		12,532		6,435	
Closed after certification	10,735	309.0	3,666	180.5	6	238.9
Open certifications	55		8,849		2,876	
Total opt outs	290		323		0	
Closed after opt out	258	563.2	111	166.0	0	
Open after opt out	30		210		0	
Total removed	110		0		0	
Closed after removal	83	616.8	0		0	
Open after removal	25		0		0	

In 2012, the IRS began allowing certain “low risk,” nonresident nonfilers – those with simple returns and owing less than \$1,500 in tax – to file the returns without triggering penalties (the “Streamlined Nonresident Filing Initiative”).<sup>6</sup> In January 2013, following the National Taxpayer Advocate’s recommendation to expand the Streamlined Nonresident

4 *Id.* The total tax, interest, and penalties row in the GAO table may include tax, interest, and penalty amounts that are not part of the OVD program assessments. Taxpayers who are in the 10th percentile for offshore account balances are not necessarily the same individuals who are in the 10th percentile for total tax, penalties, and interest. Nor are taxpayers who are in the 90th percentile for offshore account balances necessarily the same individuals who are in 90th percentile for total tax, interest, and penalties.

5 IRS response to TAS information request (June 7, 2013).

6 IRS, *New Filing Compliance Procedures for Non-Resident U.S. Taxpayers* (first posted June 28, 2012), <http://www.irs.gov/Individuals/International-Taxpayers/New-Filing-Compliance-Procedures-for-Non-Resident-U.S.-Taxpayers>.

Filing Initiative to both U.S. residents and those owing more than \$1,500, IRS officials publicly announced the IRS had eliminated the \$1,500 threshold.<sup>7</sup>

Although this is a positive change, the National Taxpayer Advocate remains concerned that the IRS does not have a simple and easy method for allowing benign actors who are U.S. residents to resolve past filing delinquencies. Nor has it provided clear guidance about key terms that it has used in its programs, such as when someone will be considered “high risk,” how they may avoid a penalty (*e.g.*, by demonstrating “reasonable cause”), and when they will be subject to the lower penalty applicable to “nonwillful” conduct. The uncertainty surrounding these terms and the consequences of opting out has likely prompted some benign actors to pay more than they should inside the OVD programs.

In addition, the IRS has reportedly revoked pre-clearance letters authorizing taxpayers to participate in the OVDP, even though some had already made disclosures, filed returns, and paid taxes and penalties in reliance on the IRS’s letters.<sup>8</sup> These reversals further erode the IRS’s credibility, and are more likely to reduce than to increase voluntary compliance.<sup>9</sup>

Moreover, the IRS has not adopted the National Taxpayer Advocate’s recommendation that IRS send notices to educate those with foreign accounts about the requirements. Nor has it addressed the unnecessarily burdensome requirement to report certain accounts on both Form 8938 and the FBAR.

Finally, in FY 2012 and FY 2013 YTD, TAS assisted 474 taxpayers with OVD-related problems and issued four taxpayer assistance orders (TAOs).<sup>10</sup> In the three cases in which the

7 Compare IRS, Streamlined Filing Compliance Procedures for Non-Resident, Non-Filer Taxpayers Questionnaire (Aug. 2012) (“Eligibility ... 3. Do you owe more than \$1,500 in U.S. tax on any of the tax returns you are submitting through this program? [Y/N] ... If you answered yes to questions ... 3, or 4, any returns submitted through this program will not be eligible for the streamlined processing procedures...” ) with Lee Sheppard, *IRS Officials Discuss Streamlined Voluntary Compliance* (Jan. 14, 2013) (“[E]ven if the taxpayer’s income tax owed exceeds the low threshold of \$ 1,500 per return, he or she can still participate if the situation is simple, such as single-source income, according to Frank Bucci of LB&I.”) and IRS, *Frequently Asked Questions Regarding the Streamlined Filing Compliance Procedures for Non-Resident, Non-Filer Taxpayers* (Feb. 27, 2013), <http://www.irs.gov/Individuals/International-Taxpayers/FAQReStreamlinedFilingComplianceProceduresNRNFTPs> (“The \$1,500 per year tax limit will not disqualify you from admission to the Streamlined Procedures, but exceeding that limit may result in your submission being treated as higher risk”). The IRS provided TAS with a copy of these frequently asked questions (FAQs) on February 28, after they had been posted. The National Taxpayer Advocate previously recommended the IRS establish a process for clearing FAQs to ensure taxpayer rights are protected. See National Taxpayer Advocate 2011 Annual Report to Congress 403.

8 Patrick Temple-West, *U.S. IRS Boots Israeli Bank Clients From Amnesty Program*, Reuters (Mar. 7, 2013), <http://www.reuters.com/assets/print?aid=USL1NOBZDP220130307>; Janet Novack, *Taxpayers Who Lost Offshore Account Amnesty Promised Fair Treatment*, Forbes (Apr. 11, 2013), <http://www.forbes.com/sites/janetnovack/2013/04/11/taxpayers-who-lost-offshore-account-amnesty-promised-fair-treatment/>.

9 According to the New York City Bar Committee on Income Taxation: “To resolve the situation and restore the integrity of the OVDP, we urge the IRS (a) to readmit the disqualified taxpayers into the program, subject to the conditions set forth in the guidelines published on the IRS’s website; and (b) to institute new safeguards to avoid such a situation from occurring again. Finally, we would appreciate the inclusion of a description of the proposed safeguards on the IRS’s website and submit that providing such information will enable tax practitioners to appropriately advise clients seeking to rectify past non-compliance regarding the benefits of making a voluntary disclosure and to reassure those clients regarding the minimal risk of being disqualified from the program after admission. These steps are critical so that the OVDP continues to have vitality.” Letter from Chair, The Personal Income Taxation Committee, New York City Bar to Acting Commissioner, IRS, (May 8, 2013), *reprinted as, NYC Bar Committee Urges IRS to Restore Integrity to Offshore Voluntary Disclosure Program*, 2013 TNT 98-18 (May 21, 2013).

10 TAMIS query (May 21, 2013).

IRS did not comply with the TAOs, the National Taxpayer Advocate elevated (or plans to elevate) them to the Operating Division Commissioner level or above.<sup>11</sup>

In FY 2014, TAS will continue to advocate for taxpayers experiencing problems with the IRS's OVD programs. In addition, TAS will advocate for the IRS to stop unnecessarily burdening taxpayers who inadvertently failed to report foreign accounts on information returns, and to adopt more reasonable policies that will restore its credibility and be more consistent with its mission to promote voluntary compliance. For example, TAS will continue to advocate for the IRS to expand its Streamlined Program to U.S. residents, to clarify and formalize the terms of its OVD programs by requesting public comments and then publishing guidance in the federal register (rather than a website posting), and revise Forms 8938 and/or TD F 90-22.1 to reduce taxpayer burden and the duplicative reporting. TAS will report its progress in the National Taxpayer Advocate 2013 Annual Report to Congress.

11 For a discussion about the IRS's confusion regarding the National Taxpayer Advocate's authority in this area, see National Taxpayer Advocate Fiscal Year 2013 Objectives Report to Congress 7-9 and 26-27.

## K. Shared Jurisdiction and Lack of Coordination between IRS and FinCEN Burdens Taxpayers and Undermines Compliance Efforts

On February 24, 2012, the Federal Crimes Enforcement Network (FinCEN) issued a news release announcing that as of June 30, 2013, taxpayers would be required to file Reports of Foreign Bank Accounts and Financial Assets (FBARs) electronically rather than on paper.<sup>1</sup> Taxpayers file FBARs electronically using FinCEN’s system, BSA e-filing.

FinCEN’s website contains the following e-Filing FAQ: “What happens if a paper report is submitted after the July 1, 2012, electronic deadline? FinCEN may impose civil money penalties for noncompliance with our regulations, including \$500 for each negligent currency transaction or suspicious activity reporting violation under 31 C.F.R. § 1010.820.”<sup>2</sup> The FAQ does not reflect FinCEN’s extension of the deadline for FBAR filers to 2013, which leads to taxpayer confusion and distrust. Taxpayers who intend to file an FBAR after June 30, 2013, but will be unable to do so electronically face the prospect of civil penalties for not being able to e-file.

FinCEN provides help desk numbers to call, but the assistors give inconsistent information. A TAS employee was told by one assistor that FBARs simply had to be filed electronically after July 30, 2013; a different assistor advised filing electronically if possible but otherwise to submit a paper FBAR. When asked whether a taxpayer filing a paper FBAR after July 1 risked incurring a civil penalty, the second assistor indicated that FinCEN’s talking points did not address that issue (but he personally doubted it).<sup>3</sup> A still different assistor returned a practitioner’s call, expressed surprise to hear about the FAQ, checked with “upper management” and then returned to say that the reference to the penalty was intended merely as a “warning shot over the bow.”<sup>4</sup> The National Taxpayer Advocate objects to this kind of informal guidance that is shared only with a small group of people – those sophisticated enough to identify potential problems and able to find someone knowledgeable to discuss them. Information of this sort should be made publicly available for all impacted taxpayers, and not imparted by telephone to a select few.

In the same conversation, the practitioner noted the absence of outreach and education on various aspects of the e-filing requirement. The FinCEN assistor explained that FinCEN had asked the IRS to provide outreach, and the IRS had refused because FinCEN authority resides in Title 31 of the US Code, while the Internal Revenue Code is found in Title 26. The shared jurisdiction over FBAR compliance between FinCEN and the IRS, with buck-passing on both sides, burdens taxpayers.

1 *FinCEN Reports Going Paperless* (Feb. 24, 2012). Final notice of the requirement was published in the Federal Register shortly thereafter. See 77 Fed. Reg. 12367-01 (Feb. 29, 2012).

2 FinCEN e-filing FAQs, available at [http://www.fincen.gov/forms/e-filing/Efiling\\_FAQs.html](http://www.fincen.gov/forms/e-filing/Efiling_FAQs.html) (last visited June 12, 2013). The deadline for transitioning to e-filing was initially 2012, but was extended to 2013 for FBAR filers. *FinCEN Reports Going Paperless* (Feb. 24, 2012). Final notice of the requirement was published in the Federal Register shortly thereafter. See 77 Fed. Reg. 12367-01 (Feb. 29, 2012).

3 Telephone conversations between TAS attorney advisor and FinCEN helpdesk assistors, June 12 and 13, 2013.

4 Telephone conversation between practitioner (CPA) and FinCEN helpdesk assistor, June 12, 2013.



In 2013 and 2014, the National Taxpayer Advocate and her attorney advisors will meet with both FinCEN personnel and IRS FBAR Liaisons in order to identify ways to provide better guidance to taxpayers.

## L. International Taxpayer Service Initiatives Continue but Need a More Formal Structure

In June 2012, the IRS's Large Business & International Division (LB&I), its Wage & Investment Division (W&I), and TAS created the International Individual Taxpayer Assistance Team (IITA) to develop international taxpayer service initiatives.<sup>1</sup> The IRS Office of Online Services (OLS) joined the group in August 2012. IITA has the following objectives:

- Identify international taxpayer groups with similar characteristics;
- Identify the needs of these groups;
- Identify existing channels for assistance for these groups;
- Identify service gaps for these groups;
- Identify the consequences of service gaps;
- Prioritize taxpayer groups and service gaps based upon risk factors;
- Develop solutions and sort them in a priority order based on importance and resources; and
- Involve LB&I and IRS Office of Chief Counsel experts on tax treaties and international law issues.

IITA is in its pilot stage, but the IRS has agreed to consider the National Taxpayer Advocate's recommendation to make IITA permanent, with a formal charter.<sup>2</sup> The National Taxpayer Advocate has also recommended that IITA be required to provide periodic written reports and formal recommendations to Business Operating Division (BOD) executives through the existing Services Committee.<sup>3</sup>

Working through subteams and meeting monthly, the IITA is:

- Identifying the most common questions in incoming calls to the international customer service group in Philadelphia, as well as those submitted by foreign tax attaché offices, and developing answers to these questions. These FAQs will be posted on IRS.gov shortly.
- Seeking Chief Counsel review of flowcharts that reflect the information in the FAQs for the top five international tax topics. The flowcharts are captioned: 1) Do I Need

1 For a complete discussion of the steps the IRS has taken provide better service to international taxpayers, see National Taxpayer Advocate 2012 Annual Report to Congress 262, 265 (Most Serious Problem: *Challenges Persist for International Taxpayers as the IRS Moves Slowly to Address Their Needs*).

2 National Taxpayer Advocate 2012 Annual Report to Congress 262, 273 (IRS Response, Most Serious Problem: *Challenges Persist for International Taxpayers as the IRS Moves Slowly to Address Their Needs*).

3 As described in IRM 22.24.1.4 (June 18, 2012), "[t]he Services Committee serves as the governing body for major service investment and management decisions at the IRS. It discusses and makes decisions or recommendations on items related to taxpayer service investments, resource allocations, and program and process management in the context of IRS-wide strategic planning and budgeting (e.g., Modernization Vision and Strategy, the IRS budget, relevant research conducted by the Office of Research, Analysis, and Statistics and the Operating Divisions, etc.)."

an ITIN (Individual Taxpayer Identification Number)?; 2) Do I Have to File a US Individual Income Tax Return?; 3) Do I Qualify for the Foreign Tax Credit?; 4) Am I Qualified for the Foreign Earned Income Exclusion; and 5) Filing Status of US Citizen or Resident Alien Married to a Nonresident Alien.

- In close cooperation with OLS, reviewing and updating IRS.gov pages pertaining to international taxpayers, reorganizing the pages, and making them more readily accessible.
- Investigating the measurement tools of webpage traffic available through Online Services, such as Google Analytics, and developing content-based survey questions to identify changes in taxpayer behavior and compliance.
- Identifying IRS notices that burden international taxpayers (those identified as problematic in research studies and through discussions with subject matter experts, because, for example, they give taxpayers located abroad an insufficient time to respond).
- Working with administrators of TaxMap, an IRS-developed tax law discovery tool (available at <http://taxmap.iris.gov/taxmap>) to add additional international search words and topics that will refer taxpayers to appropriate information on IRS.gov; and exploring the possibility of tracking referrals from TaxMap to IRS.gov and placing TaxMap links on IRS.gov.
- Verifying that all IRS forms and publications are available on IRS.gov, with the intended next step of exploring the feasibility of making some forms and publications available to groups not able to access them online.
- Collaborating with OLS in assessing the benefits and feasibility of serving international taxpayers through virtual technologies such as IRS workstations, Facetime, and Skype.

For FY 2014, TAS will continue to press for a long-term, integrated approach to international taxpayer service that includes making IITA permanent. Once IITA is a permanent, accountable group, it can engage in long-term planning, and its effectiveness can be measured.<sup>4</sup> Even if IITA remains a pilot project, TAS will continue to advocate for international taxpayer service that goes beyond providing information on the Internet.

<sup>4</sup> We note that this year for the first time, the Taxpayer Advocacy Panel, a Federal Advisory Committee that TAS supports, accepted applications from U.S. citizens living abroad or in a U.S. territory to raise awareness of issues facing international taxpayers. See *2013 Taxpayer Advocacy Panel Recruitment Period Closed* (Apr. 2, 2013) available at <http://improveirs.org/tap-news/>.

## M. IRS ITIN Policy Changes Make Return Filing Difficult and Frustrating

Recent changes to the IRS's Individual Taxpayer Identification Number (ITIN) application program are burdening taxpayers and may harm voluntary compliance. ITINs play an important role in tax administration, as any individual who has a federal tax filing obligation but is not eligible for a Social Security number must apply to the IRS for an ITIN and then use the ITIN on any return, statement, or other document which requires a taxpayer identifying number.<sup>1</sup> Under the new procedures, most applicants must now submit original documentation by mail or travel to Taxpayer Assistance Centers (TACs) to have documents certified, making the application process more difficult. Since December 17, 2003, the IRS has required ITIN applicants with a filing requirement to attach a valid federal tax return with their application (unless they qualify for an exception).<sup>2</sup>

On June 22, 2012, the IRS implemented temporary changes that required all ITIN applicants to submit original documents supporting the information on their applications.<sup>3</sup> Under these procedures, applicants could no longer submit notarized copies and had to send in original documentation, even if a certified acceptance agent (CAA) reviewed and certified the documentation. On November 29, 2012, the IRS announced revised procedures for the 2013 filing season that require applicants to submit original documentation or copies certified by the issuing agency.<sup>4</sup> Although the IRS allows CAAs to submit copies of documentation for primary and secondary taxpayers after reviewing original documentation or certified copies, CAAs must still send in original documentation for all dependent applicants. A limited number of TACs can certify documents for primary, secondary, and dependent taxpayers.

### The Revised Procedures Create an Impediment for Taxpayers Required to File Returns.

The recent changes to the ITIN program have made it difficult for taxpayers to file returns. Those applying for dependent ITINs, who make up more than two-thirds of all applicants,<sup>5</sup> must either send original documentation to the IRS, or travel to one of a relatively small number of designated TAC offices, which can only certify copies of passports and national identification cards.<sup>6</sup> TAS conducted a conference call with six low income taxpayer clinics to discuss how the new requirements have burdened applicants.<sup>7</sup> More than one clinic had applicants who sought help applying for an ITIN, but due to

1 IRC § 6109; Treas. Reg. §§ 301.6109-1(a)(1)(ii)(B); 301.6109-1(d)(3).

2 See IRS News Release, IR-2003-140, IRS Announces Revisions to ITIN Applications (Dec. 17, 2003).

3 See IRS News Release, IR-2012-62, IRS Strengthens ITIN Application Requirements; Interim Changes Will Protect the Integrity of the ITIN Process (June 22, 2012).

4 See IRS News Release, IR-2012-98, IRS Strengthens Integrity of ITIN System; Revised Application Procedures in Effect for Upcoming Filing Season (Nov. 29, 2012).

5 IRS response to TAS information request (Sept. 28, 2012).

6 Not all TAC offices are permitted to certify copies of passports and national identification cards. See [www.irs.gov](http://www.irs.gov) for a list of these designated TACs. All other TACs are available for assistance in completing applications and will forward documents to Austin, Texas for processing.

7 TAS conference call with Low Income Taxpayer Clinics (May 23, 2013).

the burden of giving up original documents, decided not to apply for an ITIN, and consequently did not file a tax return. The clinics reported some country-specific problems, such as applicants in Mexico not being able to apply for ITINs because they could not give up their national identification cards for two months, especially in rural communities where they could not get replacements.<sup>8</sup> Multiple LITCs said that applicants had to wait three to four months to receive their documents back. In one case, an LTC reported that the IRS misplaced documents three times, causing the entire family to be without identification for six months.

The problem of delays in returning documents is only compounded by the fact that the IRS cannot track an ITIN application and the associated documents before the application is processed. When the IRS receives an ITIN application, it places it in a batch that is not numbered or controlled by individual application.<sup>9</sup> The application and supporting documents are not traceable until the ITIN is assigned and input on the ITIN real-time system. Given the lengthy timeframe for processing ITIN applications, this can result in extreme hardship for taxpayers who need their documents returned.

One TAS case involved an individual who sent her passport to the IRS with her ITIN application. After submitting the application, the applicant suddenly needed the passport to leave the country for a funeral. When TAS contacted the IRS to locate the passport and have it returned to the applicant, the IRS had not worked the application and was initially unable to find the application and documents. As a result of TAS's advocacy, the IRS subsequently located and processed the application. However, this occurred well after the time the taxpayer needed it, and as a result she could not travel abroad to attend the funeral. Although TAS requested that the IRS send the passport to TAS in order for TAS to send it to the taxpayer by overnight mail, the IRS sent it back to the taxpayer by regular mail.

One of the most significant issues the LITCs observed was the lack of communication regarding rejected applications.<sup>10</sup> Several LITCs reported they received IRS suspense notices or rejection notices for ITIN applications, yet were not told why the application was rejected. They said these notices often asked for the same identification documents that the LITCs already submitted and provided no indication why a document was not considered valid. When the practitioners called the IRS, they were unable to speak to anyone who could look at the application and explain which document was invalid and why. This

8 Mexico issues its citizens the *Matricula Consular* (or, commonly, the *matricula*). See <http://consulmex.sre.gob.mx/detroit/index.php/matricula-consular> (last visited May 28, 2013).

9 ITIN applications must be filed with a paper tax return unless they meet an exception. Because these applications are handled in Submission Processing, the controlling and tracking is much the same as for all other originally filed paper returns. The returns move through several functions before the IRS has any way of identifying individual returns or tracking the status. Returns are opened, sorted, batched into groups of approximately 100 and coded (or prepared) for data transcription before a unique document locator number (DLN) is assigned to individual returns. Only after data transcription can returns be easily located and tracked systemically by this unique DLN. During the height of filing season processing, it may be several days to weeks before individual returns receive a DLN and can be identified and located.

10 TAS conference call with Low Income Taxpayer Clinics (May 23, 2013).

process has then led to practitioners sending in three or four documents instead of two, since they have no idea which document was rejected or will be rejected.

The new procedures do provide an alternative to mailing passports or national identification cards by allowing applicants to have these documents certified at a limited number of Taxpayer Assistance Centers. However, certifying ITIN documents has put a strain on the TACs that offer this service. During the 2013 filing season, the TAC offices in the Dallas / Fort Worth area were only offering tax return preparation on one day of the week due to the demand for certifying ITIN documents. Furthermore, even TACs that are designated to certify documents remain inaccessible to taxpayers because taxpayers either cannot enter them without a form of U.S. government-issued identification or do not enter due to fear of detention and deportation.<sup>11</sup> For example, the TACs in Oakland and San Francisco are in government buildings. For applicants without a U.S. government-issued identification, they must travel to the TAC in San Jose, which is 42 miles away, or the TAC in Salinas, which is 104 miles way, which are not in government-owned buildings. Because dependent applicants cannot have their documents certified by a CAA, they are forced to either send their original documents to the IRS or go to a TAC.

LITCs expressed frustration that a CAA cannot serve an entire family, since CAAs are empowered to certify documents for the parents but not for their dependent children. Because CAAs live in the communities of the taxpayers they serve, they are likely to be more familiar with foreign documentation and in a better position to review country-specific documents than IRS employees, who must review documentation from over 215 countries and in many languages.<sup>12</sup> Nonetheless, the IRS has declined to accept the National Taxpayer Advocate’s recommendation to allow CAAs to certify dependents’ documents.<sup>13</sup>

### Current Year ITIN Applications have Fallen Precipitously and Rejection Rates have Increased Substantially.

From December 30, 2012, through April 27, 2013, ITIN applications fell by 46 percent compared to the same period last year. At the same time, the percentage of rejected applications doubled from 22 percent to 44 percent.<sup>14</sup>

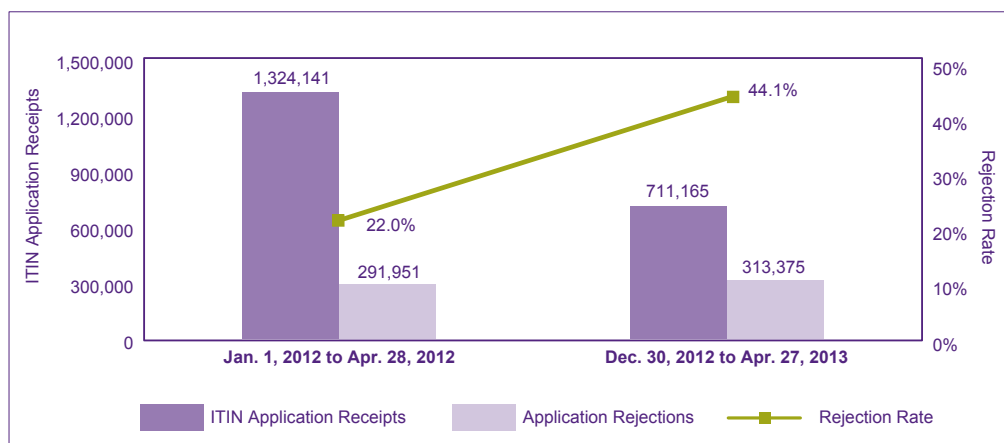
11 TAS phone conversation with Low Income Taxpayer Clinic (May 21, 2013).

12 IRS response to TAS information request (September 28, 2012).

13 See National Taxpayer Advocate 2012 Annual Report to Congress 179.

14 IRS, ITIN Production Report (Apr. 27, 2013).

**FIGURE II.5, ITIN APPLICATION RECEIPTS AND REJECTED APPLICATION RATES DURING EARLY 2012 AND EARLY 2013**



TAS will continue monitoring ITIN application and rejection rates to determine whether this trend continues and indicates a change in filing compliance by ITIN taxpayers. In FY 2014, TAS will seek data on rejected applications for ITINs requested as the primary TIN for an income tax return to gauge the current ITIN application policy's effect on voluntary compliance. TAS will also seek data on rejected ITIN applications for dependents to determine if the new procedures are causing the IRS to improperly deny numbers to these applicants.

TAS has seen its own ITIN cases increase. From

October 1, 2011, through March, 2012, TAS received 197 ITIN application cases. During the same period in FY 2013, TAS received 429 cases, an increase of 118 percent. These numbers may not fully represent the problems taxpayers are experiencing, because taxpayers who decide not to apply for an ITIN and forgo filing a tax return may not come to TAS at all.

### ITIN cases increase in TAS

Oct. 2011-March 2012, TAS received

**197 ITIN  
application cases**

Oct. 2012-March 2013, TAS received

**429 ITIN  
application cases**

**118% increase**  
over the same period in FY 2012

## Requiring Applicants to Submit ITIN Applications with a Paper Return Continues to Harm Taxpayers.

The IRS has refused to allow filing of ITIN applications throughout the year with proof of a legitimate return filing requirement,<sup>15</sup> a decision that continued to harm taxpayers during the 2013 filing season. A recent IRS training presentation for CAAs advised them to allow four to six weeks for the IRS to process ITIN applications submitted May 1 through January 14, but to allow six to ten weeks for applications submitted January 15 through April 30.<sup>16</sup> Requiring the majority of ITIN applicants to file during the filing season with a paper return forces applicants not only to wait up to ten weeks for their applications to be processed and their original documentation returned, but also to wait much longer to receive any refunds. TAS will continue to advocate for the IRS to allow taxpayers to apply for ITINs throughout the year as long as they provide proof of a legitimate tax filing requirement.

## Changes Are Needed to Address Unique Characteristics of Different Groups of ITIN Filers.

In addition to the National Taxpayer Advocate's recommendations regarding ITINs in her Annual Reports to Congress, TAS has advocated for reforms to the ITIN program in its work with the IRS on joint teams and through the internal guidance review process.<sup>17</sup> This work has yielded some key changes. On October 2, 2012, the IRS announced that it had agreed to allow students, who already provide documentation to the Department of Homeland Security under the Student Exchange Visitors Program (SEVP), to have their documents certified by an SEVP institution instead of sending original documents to the IRS.<sup>18</sup> TAS is pleased the IRS has made this change but is concerned that it has not addressed the needs of other unique groups of taxpayers.

While the new rules allow CAAs, a limited number of TACs, and four international tax attachés to certify copies of documents, these rules overlook groups of foreign taxpayers who do not have access to a CAA and may need to travel to another country to reach an attaché. One LITC states that it has dealt with hundreds of H-2A workers<sup>19</sup> who are filing returns for the first time for 2012 and prior years.<sup>20</sup> Their spouses may live in other countries

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- 15 See National Taxpayer Advocate 2012 Annual Report to Congress 165, 179 (stating that only allowing ITIN applications with paper returns during the filing season creates seasonal bottlenecks affecting over one million tax returns and associated refunds annually and repeating the recommendation to allow ITIN applications throughout the year with proof of a filing requirement).
- 16 IRS, Stakeholder Partnerships, Education and Communications (SPEC), *Certifying Acceptance Agent and Forensic Training* (Jan. 29, 2013).
- 17 See National Taxpayer Advocate 2010 Annual Report to Congress 319-34; National Taxpayer Advocate 2009 Annual Report to Congress 520-22; National Taxpayer Advocate 2008 Annual Report to Congress 126-40; National Taxpayer Advocate 2004 Annual Report to Congress 143-62; National Taxpayer Advocate 2003 Annual Report to Congress 60-86. In 2003, 2004, and 2008, the National Taxpayer Advocate identified the IRS's failure to timely process ITIN applications as a Most Serious Problem. See, e.g., TAS comments on IRM 3.21.263 (submitted Jan. 29, 2013).
- 18 See IRS Clarifies Temporary ITIN Application Requirements for Noncitizens with Tax Extensions and Many Foreign Students, <http://www.irs.gov/uac/Newsroom/IRS-Clarifies-Temporary-ITIN-Application-Requirements-for-Noncitizens-with-Tax-Extensions-and-Many-Foreign-Students>. (last updated Oct. 2, 2012).
- 19 An H-2A worker is a legal immigrant with residence in a foreign country who has no intention of abandoning that country and who comes to the United States temporarily to perform agricultural services or labor. See 8 U.S.C. § 1101(a)(15)(H)(ii)(a).
- 20 Email from LITC Director to TAS (Mar. 19, 2013) (on file with TAS).



and lack access to video equipment to conduct an interview and thus need to send original documents to the IRS to obtain an ITIN and be included on the returns.<sup>21</sup> TAS conversations with a different LITC reveal another problem for H-2A workers: the timing of the H-2A season makes it difficult for these applicants to apply for an ITIN by the tax filing deadline.<sup>22</sup> In the Midwest, the H-2A season runs from March till November, meaning that if the taxpayers come to work in the United States in March and do not already have their original documents with them, they have to send away for them and may not receive them in time to file by the deadline. TAS will continue to advocate for program changes to provide relief to these and other unique groups of taxpayers.<sup>23</sup>

### **TAS Will Continue to Monitor the Revised CAA Certification and Training Procedures.**

In her 2012 Annual Report to Congress, the National Taxpayer Advocate recommended the IRS improve its oversight of the CAA program by requiring periodic training, an annual competency exam, and a due diligence statement.<sup>24</sup> TAS is pleased that the IRS has committed to require CAAs to be regulated as Circular 230 practitioners, and to complete an online course and forensic training. However, TAS is concerned that the ITIN Program Office has not provided timely training updates and information to CAAs. For example, the January 29, 2013, CAA training presentation refers CAAs to Form 14154 for a checklist to assist them in completing Form W-7, and to Form 14194, which is a certificate of accuracy to be submitted with Form W-7. As of June 6, 2013, Form 14154 still was not available on the Forms and Publications section of the IRS website. Form 14194 was only posted on this area of the site on March 11, 2013, and under a different name, “Form W-7 COA.”<sup>25</sup> The inability of CAAs to file ITIN applications with the required forms during the first part of the filing season and the failure of the IRS to provide timely information only create further difficulty for applicants, especially because many who did not use CAAs in the past may have done so in 2013 to avoid sending in original documents.

In an email on November 29, 2012, the ITIN Program Office notified CAAs that they would need to complete forensic training by January 31, 2013, and certify their training by February 28, 2013.<sup>26</sup> On February 5, 2013, the IRS announced it was pushing back the training deadline to December 31, 2013.<sup>27</sup> Given the importance of CAAs to the ITIN

21 A CAA must conduct a face-to-face or live video electronic interview with an individual in order to certify an individual's documents, thus allowing the CAA to send in copies instead of the original documents. See IRM 3.21.263.3.2 (Jan. 2, 2013).

22 TAS conference call with Low Income Taxpayer Clinics (May 23, 2013).

23 In 2012, the National Taxpayer Advocate recommended the IRS accept copies of documents certified by an apostille in conformance with the U.S. obligations under the Hague Convention. See National Taxpayer Advocate 2012 Annual Report to Congress 179.

24 See National Taxpayer Advocate 2012 Annual Report to Congress 171.

25 A search for “Form 14154” on the search engine Google on June 6, 2013 did not find the current Form 14154 at all. Concerning Form 14194, it appears the IRS dropped the numbering in the March 2013 revision and refers to the form now as Form W-7 COA. See Form W-7 COA, *Certificate of Accuracy for IRS Individual Taxpayer Identification Number* (revised Dec. 2012).

26 See email from ITIN Program Office to Undisclosed Recipients (Nov. 29, 2012) (on file with TAS).

27 See IRS, Forensic Training, <http://www.irs.gov/Individuals/Forensic-Training> (last updated Feb. 5, 2013).

program, TAS will monitor the status of the new CAA requirements during the remainder of 2013 and in 2014 to bring to light any further issues.

**TAS Will Continue to Work with the IRS on Its Plans to Deactivate ITINs.**

In response to the ITIN discussion in the 2012 Annual Report to Congress, the IRS committed to allowing ITINs issued after 2012 to expire after certain periods of time or nonuse, which may stop them from being used for anything other than federal tax administration purposes.<sup>28</sup> The IRS is exploring similar options for deactivating ITINs issued before 2013. TAS is pleased by the IRS’s actions and will work closely with the IRS to ensure that taxpayers are not deprived of their rights. TAS strongly believes the IRS must communicate with taxpayers and notify them before deactivating ITINs or allowing them to expire.

28 See National Taxpayer Advocate 2012 Annual Report to Congress 171-78. On numerous prior occasions, the National Taxpayer Advocate has expressed concern over the IRS’s lack of a process for retiring ITINs and has recommended that it develop a process for retiring or revoking ITINs that are no longer used for tax administration purposes after providing notice to the taxpayer. See National Taxpayer Advocate 2010 Annual Report to Congress 333, National Taxpayer Advocate 2008 Annual Report to Congress 130, National Taxpayer Advocate 2003 Annual Report to Congress 67.

## N. Cuts to IRS Tax Forums Mean Lost Opportunities

According to their stated purpose, “[t]he IRS Nationwide Tax Forums offer three full days of seminars with the latest word from IRS leadership and experts in the fields of tax law, compliance and ethics.”<sup>1</sup> In their present state, the Tax Forums cannot accomplish this task. Due to budgetary concerns, the IRS has severely limited the IRS staff permitted to attend and work at the Tax Forums, and has cut many features offered at previous Forums.

The Tax Forums are designed for tax practitioners, ranging from attorneys and enrolled agents to unenrolled preparers. In the last five years, more than 77,600 practitioners have attended the Tax Forums, providing a platform for the IRS to inform them about changes to practices and procedures, and to assist the practitioners in providing the best possible return preparation and representation to taxpayers.<sup>2</sup>

Budget cuts have reduced the Forums to a shell and made it impossible for these events to meet the needs of practitioners. The Forums offer the IRS a unique and crucial means of reaching unenrolled preparers. Beginning in 2010, about 45 percent of paid attendees were unenrolled preparers,<sup>3</sup> *i.e.*, individuals who prepare tax returns for compensation but who are not attorneys, certified public accountants, enrolled agents, enrolled actuaries, or enrolled retirement plan agents.<sup>4</sup>

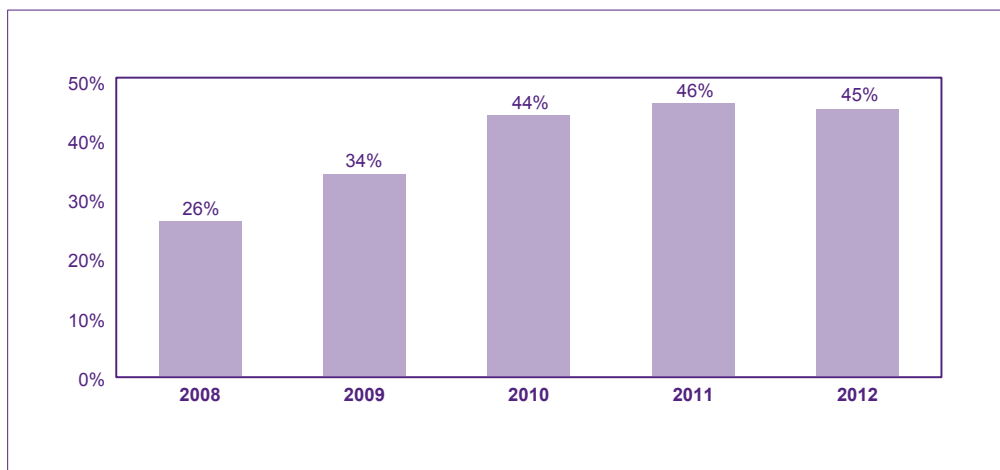
1 IRS, *IRS Nationwide Tax Forum Information*, available at <http://www.irs.gov/Tax-Professionals/IRS-Nationwide-Tax-Forum-Information> (last visited May 14, 2013).

2 Statistics on file with TAS Communications and Liaison Staff. The number of total practitioners attending the Forums is not limited to unique practitioners, which may be fewer than stated due to practitioners attending the Forums in more than one year.

3 Statistics on file with TAS Communications and Liaison Staff.

4 The IRS’s efforts to regulate, test, and impose continuing education requirements on this population of preparers have been enjoined, pending litigation. For further information on the National Taxpayer Advocates perspective on the regulation of preparers, see *Taxpayers are More Vulnerable Under the Current Limited Oversight of Tax Return Preparers*, *supra*. *Loving v. I.R.S.*, 111 A.F.T.R.2d (RIA) 589 (D.D.C. Jan. 18, 2013). The government filed a motion to suspend the injunction pending appeal. The U.S. District Court for the District of Columbia denied the motion but modified the terms of the injunction. See *Loving*, 111 A.F.T.R.2d (RIA) 702 (D.D.C. Feb. 1, 2013). On February 25, 2013, the government filed a motion for a stay pending appeal. On March 27, 2013, the U.S. Court of Appeals for the District of Columbia Circuit denied the motion for stay. See *Loving*, 111 A.F.T.R.2d (RIA) 1384 (D.C. Cir. March 27, 2013). Olson, Nina E., *More Than a ‘Mere’ Preparer: Loving and Return Preparation*, *Tax Notes*, May 13, 2013. See also *Taxpayers Are More Vulnerable Under the Current Limited Oversight of Tax Return Preparers*, *supra*.

**FIGURE II.6, TAX FORUM ATTENDEES WHO ARE UNENROLLED PREPARERS**



In prior years, the Tax Forums also included a case resolution program, managed by TAS and staffed by employees from all IRS operating divisions who had access to IRS systems and could help practitioners with tough cases on the spot. Beginning this year, the IRS has eliminated the case resolution program to reduce the number of employees attending the Forum, even though the room was primarily staffed by local employees or those already attending for other purposes. Typically, the case resolution program worked more than 1,100 cases per year, helping to resolve issues for the practitioners’ clients.<sup>5</sup> It provided immediate face-to-face assistance from an array of IRS employees, enabling practitioners to clear up their most difficult cases in one efficient session.<sup>6</sup> In addition to assisting practitioners, the case resolution program generated revenue for the IRS, collecting more than \$1.3 million over the last five years.<sup>7</sup>

Previously, the IRS and TAS used the Forums to conduct focus groups on topics such as Publication 1, *Your Rights as a Taxpayer*, the IRS Automated Underreporter program, the offer in compromise program, and features of the IRS website. This year, no focus groups will be held, again to reduce the staff present at the Forums. The Forums presented a unique opportunity for the IRS to receive comments and suggestions directly from practitioners who use the forms and publications the IRS produces on a daily basis, and to test possible improvements to various IRS products. Cutting focus groups leads to missed opportunities for the IRS to receive valuable reactions in real time.

The National Taxpayer Advocate is concerned the changes to the Tax Forums and the reduction in IRS staff severely diminish the effectiveness of these programs. The services cut from the forums represent lost opportunities for both practitioners and the IRS to interact

5 Statistics on file with TAS Communications and Liaison Staff. At the 2012 Tax Forums, the program resolved 993 cases.

6 IRS, Joint Operations Center, Product Line Detail Reports FY 2012.

7 Statistics on file with TAS Communications and Liaison Staff.

in a mutually beneficial situation. TAS will continue to work with the IRS to identify opportunities to make full use of the Tax Forums and to advocate that the IRS reevaluate its policies concerning the 2013 and future Forums. Additionally, TAS plans to work with stakeholders such as LITCs, Volunteer Income Tax Assistance (VITA) programs, and professional tax groups to reinstate a pilot of Problem Solving Days in FY 2014 to provide one-stop tax issue resolution for taxpayers and practitioners.<sup>8</sup>

<sup>8</sup> Shortly after the implementation of the IRS Restructuring and Reform Act of 1998 (RRA 98, Pub. L. No. 105-206 § 1002) the IRS offered Problem Solving Days across the country where representatives from all IRS functions were available to address taxpayer issues in a one-stop-shopping manner. Many Unhappy Returns, Charles O. Rossotti, 136-137, Harvard Business School Publishing (2005). Subsequently, the IRS has held other problem solving day type events in the form of Super Saturdays, Service Saturdays, Tax Assistance Days, and EITC Saturdays, beginning in 2008. See, e.g., <http://irweb.irs.gov/AboutIRS/Nwsctr/Headlines/13536.aspx> (last visited June 3, 2013).

### III. FILING SEASON REVIEW

Each year, the nation's taxpayers incur a heavy burden, spending an estimated 6.1 billion hours and \$168 billion to comply with the tax code and file their returns, which is often their only interaction with the IRS. Similarly, the IRS faces enormous challenges in each filing season, processing over 143 million individual tax returns while updating its systems to account for legislative changes and revenue protection measures.<sup>1</sup> The IRS views a filing season as a success if it hits certain numerical processing targets. However, taxpayers may have a different experience. The IRS does not consider the long times taxpayers often wait when trying to get help at a Taxpayer Assistance Center (TAC) or on a toll-free line, or even the fact that many of these taxpayers cannot obtain assistance at all, in determining whether a filing season was a success.

From the taxpayers' perspective, a successful filing season means they can submit their returns easily, electronically or on paper. If the IRS finds a problem, the taxpayer would receive a clear explanation and an opportunity to fix the problem in one step, through self-help online tools, a telephone call, correspondence, or a visit to a TAC.

However, in the current environment, this often is not the case. In the 2013 filing season, taxpayers experienced challenges in the following areas:

- A late start to the filing season;
- Additional forms, such as the one required to claim an education credit (Form 8863), were delayed into March;
- Low levels of phone service;
- Long wait times to reach a customer service representative;
- Limited services available at TACs; and
- Fewer TACs that could accept cash payments.

#### A. Late Legislation Delayed the 2013 Filing Season

Congress often considers legislation to extend expiring tax provisions and make other changes to the tax code. In recent years, Congress has passed this legislation late in the calendar year, compressing the time available for the IRS to update and test programming for the filing season, and to revise tax forms and instructions. The IRS faced significant hurdles in changing programming to implement late legislative changes enacted on January 2, 2013.<sup>2</sup> While many individuals could file on January 30, about two weeks after the

<sup>1</sup> National Taxpayer Advocate 2012 Annual Report to Congress 5-6; IRS, *IRS Data Book*, Table 9a: *Examination Coverage: Recommended and Average Recommended Additional Tax After Examination, by Type and Size of Return* (2012).

<sup>2</sup> American Taxpayer Relief Act (ATRA) (Jan. 2, 2013).

traditional start of the filing season, certain returns were delayed until March 4.<sup>3</sup> The IRS opened the filing season for more taxpayers as it completed programming for additional forms.<sup>4</sup>

- February 10, 2013: Returns with Form 4562, *Depreciation and Amortization (Including Information on Listed Property)*;
- February 14, 2013: Returns with Form 8863, *Education Credits*; and
- March 4, 2013: Filing season open for all individuals.

The late legislation imposed significant burden on taxpayers, return preparers, and the IRS. The compressed timeframe limited software testing and could have contributed to the problems surrounding education credits, discussed later in this section.

In FY 2014, TAS will continue to recommend that Congress pass “extender” legislation early enough to give the IRS adequate time to program and test tax code changes affecting the current filing season. Additionally, TAS will participate in the IRS’s Filing Season Readiness initiative and assist the IRS in identifying potential problems before they arise, such as those associated with the First-Time Homebuyer Credit (FTHBC) repayment programming, discussed below. TAS will continue to encourage TAS and IRS employees, practitioners, and taxpayers to submit potential systemic issues to the Systemic Advocacy Management System (SAMS) to assist TAS in the early identification of problems, such as the missing information from Form 8863, *Education Credits*, discussed below.

## **B. Miscommunications with e-File Vendors and Tax Preparers Delayed Taxpayers’ Refunds and Caused More Work for IRS Employees**

During the first three weeks of the 2013 filing season, the IRS rejected more individual returns for error resolution than it typically does (8.39 percent versus approximately four to six percent).<sup>5</sup> As of February 22, 2013, inventories of individual returns awaiting correction had increased nearly 330 percent compared to the same period the previous year.<sup>6</sup> Fifty-two percent of that inventory (over 520,000 taxpayers) was over aged, meaning the IRS did not work the returns in the prescribed timeframe.<sup>7</sup> The IRS determined the increase was due to incomplete Forms 8863, *Education Credits*, and Form 8867, *Paid Preparer’s Earned Income Credit Checklist*.

3 IRS, *IRS Plans Jan. 30 Tax Season Opening for 1040 Filers*, IR-2013-2 (Jan. 8, 2013), available at <http://www.irs.gov/uac/Newsroom/IRS-Plans-Jan.-30-Tax-Season-Opening-For-1040-Filers>.

4 IRS, *IRS to Accept Tax Returns with Education Credits, Depreciation Next Week*, IR-2013-18 (Feb. 8, 2013), available at <http://www.irs.gov/uac/Newsroom/IRS-To-Accept-Tax>Returns-with-Education-Credits,-Depreciation-Next-Week> and *IRS Now Accepting All 2012 Returns*, IR-2013-25 (Mar. 4, 2013), available at <http://www.irs.gov/uac/IRS-Now-Accepting-All-2012>Returns>.

5 IRS, Submission Processing Miscellaneous Monitoring Report, Headquarters, (week ending Feb. 22, 2013, Feb. 24, 2012, Feb. 25, 2011). Comparatively, in the last week in February of filing season 2012 the ERS error rate was 4.2 percent, and in filing season 2011 it was 6.4 percent.

6 For a discussion of how this affected TAS case volumes, see *Case Advocacy, infra*. IRS, Submission Processing Miscellaneous Monitoring Report, Headquarters, (week ending Feb. 22, 2013). In filing season 2013, over one million returns were awaiting correction as of Feb. 22, compared to approximately 200,000 returns during the same period in 2012.

7 IRS, Submission Processing Miscellaneous Monitoring Report, Headquarters, (week ending Feb. 22, 2013).

TAS notified the IRS that lines 23 through 26 on Forms 8863 transmitted by a limited number of Modernized e-File (MeF) vendors were not appearing on IRS systems. At the same time, the vendors were reporting the same problem to the IRS, yet the IRS did not change its processes. The IRS determined that the taxpayers had input the information on those lines, but the vendor's software failed to transmit the data to the IRS during e-filing. The vendors fixed the problem on February 22, 2013, yet for nearly three more weeks, the IRS continued to delay return processing and refunds and mailed notices to taxpayers asking for the missing information.<sup>8</sup> After receiving vendor affidavits related to the missing Form 8863 data, on March 12, 2013 the IRS began manually releasing the delayed tax returns for processing without waiting for taxpayer responses.<sup>9</sup> The IRS completed all the manual releases (for those where there was no other issue requiring a taxpayer response) by March 28, 2013, allowing the IRS to resume processing the returns. The missing Form 8863 information impacted over 800,000 returns.<sup>10</sup>

TAS's early alert systems allowed it to identify this issue and advise the IRS that although both TAS and the vendors had found the root cause of the problem, the IRS was still unnecessarily corresponding with taxpayers and delaying their refunds. Over 850 taxpayers contacted TAS for help with missing Form 8863 information.<sup>11</sup> TAS worked with the Wage and Investment division on a streamlined process to resolve over 850 cases.<sup>12</sup> Additionally, 21 SAMS submissions identified the problem with Form 8863.<sup>13</sup> TAS will continue to closely monitor data to identify systemic problems with IRS filing season processes and procedures and will work closely with the IRS to resolve any issues.

Similarly, the IRS discovered many Forms 8867, *Paid Preparer's Earned Income Credit Checklist*, were missing or incomplete. Preparers complete this checklist to describe the actions taken during return preparation to verify taxpayers' eligibility for the Earned Income Tax Credit (EITC). The IRS delayed processing the associated tax returns while it contacted the taxpayers for the missing information, even though the preparers were responsible for the form. Requesting Form 8867 directly from the taxpayers imposed an unnecessary burden. This is the second year the IRS required preparers to file Form 8867 with tax returns claiming the EITC, but the first year it delayed return processing because of missing forms. The IRS sent a letter to preparers who submitted 2011 tax returns claiming the EITC without attaching Form 8867, warning them of their failure to meet due diligence requirements, and stating that the IRS would assert due diligence penalties starting with 2012 returns.<sup>14</sup>

<sup>8</sup> IRS, Servicewide Electronic Research Program (SERP) Alert 13A0205 (Mar. 11, 2013).

<sup>9</sup> IRS, SERP Alert 13A0203 (Mar. 12, 2013).

<sup>10</sup> IRS, SERP Alert 13A0297 (April 16, 2013).

<sup>11</sup> TAMIS Data (Mar. 19 and 22, 2013).

<sup>12</sup> *Id.*

<sup>13</sup> SAMS submissions from Jan. 1, 2013 to June 4, 2013; data retrieved June 4, 2013.

<sup>14</sup> IRS, Tax Preparer Toolkit – What is Form 8867? (Oct. 24, 2012), available at <http://www.eitc.irs.gov/rptoolkit/dd/Form8867/>. The IRS sent Letter 4989 to affected preparers in July 2012.



A Treasury Inspector General for Tax Administration (TIGTA) report identified as many as 80,585 preparers who filed 612,622 returns claiming the EITC without the form through March 7, 2013.<sup>15</sup> Two weeks into the filing season, the IRS made a policy decision to cease delaying these returns and instead to address the compliance issue directly with the preparers.<sup>16</sup> The IRS began manually releasing the returns delayed during the first two weeks for processing on February 15, 2013.<sup>17</sup>

In FY 2014, TAS will encourage the IRS to work with software vendors to require e-filed preparer returns that claim the EITC to include Form 8867. The IRS should resolve any due diligence issues from paper returns missing Form 8867 by contacting the preparer, not the taxpayer.

### C. Key Measures of Taxpayer Service Levels Fail to Meet Expectations

The National Taxpayer Advocate identified inadequate IRS funding to serve taxpayers and collect taxes as a Most Serious Problem in both the 2011 and 2012 Annual Reports to Congress.<sup>18</sup> The National Taxpayer Advocate also has reported on many aspects of taxpayer service that have declined or have not met taxpayer expectations over the last five fiscal years because of funding cuts and IRS policy decisions.<sup>19</sup> Despite the National Taxpayer Advocate's concerns and continued recommendations for improvements, taxpayer service levels across the IRS fail to meet taxpayer expectations. Problems persist with phone levels of service, phone wait times, and the face-to-face service offered at TACs.

In the 2012 Annual Report, the National Taxpayer Advocate highlighted declining levels of service (LOS) across IRS phone lines.<sup>20</sup> However, the IRS continued to fail to answer nearly 30 percent of Customer Account Services incoming calls between October 2012 and late May, 2013.<sup>21</sup> More troubling than even the overall LOS was the IRS's inability to answer the phones on the statutory deadline for filing taxes, April 15, 2013. On that day, the IRS answered only 57 percent of incoming calls.<sup>22</sup>

15 These preparers could face over \$306 million in penalties (\$500 per return) at the completion of the filing season. TIGTA, Ref. No. 2013-40-035, *Interim Results of the 2013 Filing Season 8* (Mar. 29, 2013).

16 IRS, SERP Alert 13A0168 (Feb. 25, 2013). TIGTA, 2013-40-035, *Interim Results of the 2013 Filing Season 8* (Mar. 29, 2013).

17 IRS, SERP Alert 13A0152 (Feb. 15, 2013).

18 See National Taxpayer Advocate 2012 Annual Report to Congress 34-41 and National Taxpayer Advocate 2011 Annual Report to Congress 1-14.

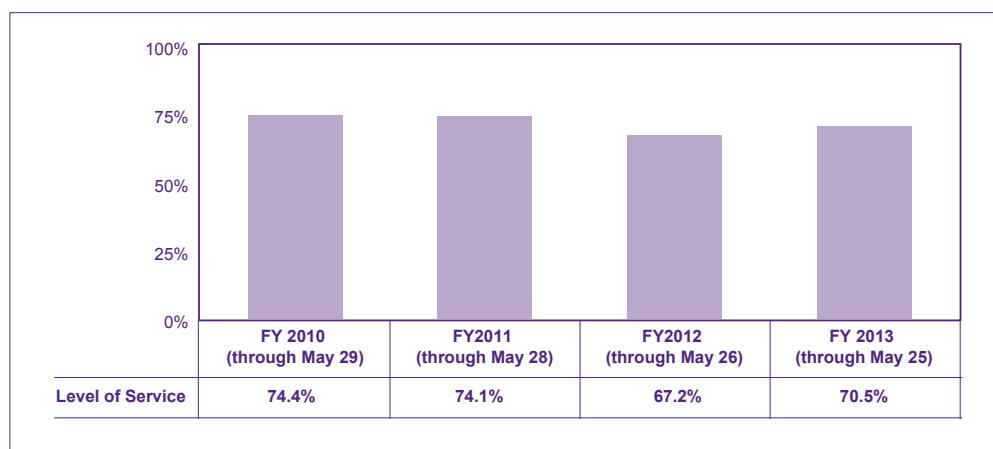
19 See e.g., National Taxpayer Advocate 2012 Annual Report to Congress 206-347 and National Taxpayer Advocate 2010 Annual Report to Congress 267-277.

20 National Taxpayer Advocate 2012 Annual Report to Congress 218-231.

21 IRS, Joint Operations Center, Snapshot Report, May 25, 2013. Customer Account Services (CAS)/Accounts Management (AM) telephone lines included 28 toll-free lines in 2013). From October 1, 2012 through May 25, 2013, the IRS received 78,144,150 net call attempts to the CAS or AM lines, of which 22,598,925 were answered by a customer service representative. The CSR level of service (LOS) as of May 25, 2013 is 70.5 percent.

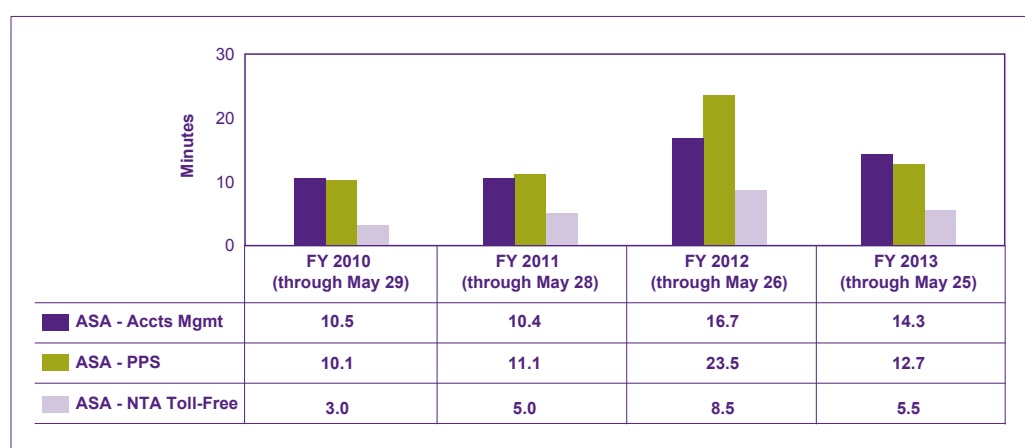
22 IRS, Joint Operations Center, Accounts Management Rollup (Apr. 15, 2013).

**FIGURE III.1, LEVEL OF SERVICE FOR IRS CUSTOMER ACCOUNT SERVICES TELEPHONE OPERATIONS, FY 2010 – 2013<sup>23</sup>**



Not only does the IRS too often fail to answer the phone, but when it does answer a call, the taxpayer has to wait longer to speak to an employee. The IRS measures wait time, *i.e.*, the Average Speed of Answer (ASA), on both an enterprise-wide basis and for individual specialty telephone lines, such as the Practitioner Priority Service (PPS) and National Taxpayer Advocate (NTA) Toll-Free line.<sup>24</sup> ASA varies widely, which means taxpayers cannot expect consistent service.

**FIGURE III.2, AVERAGE SPEED OF ANSWER (ASA) FOR IRS CUSTOMER ACCOUNT SERVICES TELEPHONE OPERATIONS IN MINUTES, FY 2010 - 2013<sup>25</sup>**



23 Enterprise Snapshot Reports (May 29, 2010, May 28, 2011, May 26, 2012, and May 25, 2013). The FY 2013 actual data is through May 25, 2013. IRS, Joint Operations Center, Snapshot Reports, May 25, 2013.

24 PPS is for taxpayer representatives calling with questions about their clients' accounts. W&I staff answer NTA Toll-Free calls from taxpayers that seek TAS assistance to resolve their tax problems.

25 IRS, Joint Operations Center, Product Line Detail Reports and Snapshot Reports (May 29, 2010, May 28, 2011, May 26, 2012, May 25, 2013).

While the IRS is currently exceeding the target goal of 15 minutes to answer the phone, taxpayers must still wait over 14 minutes to speak to a representative, and nearly four minutes longer than in FY 2010 and 2011. This is an unacceptable wait time, when not even ten years ago the IRS answered the phones in an average of less than three minutes.<sup>26</sup> Meanwhile, more Taxpayer Assistance Centers are staffed by just one IRS employee, impacting the hours and potential availability of those TACs and leading to a decline in taxpayer service, as shown below.

**FIGURE III.3, TAXPAYER ASSISTANCE CENTERS STAFFING AT THE START OF THE 2012 AND 2013 FILING SEASONS<sup>27</sup>**

TAC Staffing Level	As of Feb. 11, 2012	As of Feb. 9, 2013
1 employee	48	65
2 employees	115	99
3 or more employees	237	228
Total	400	392

The number of staffed TACs has fallen each year. Furthermore, the number of sites staffed by just one employee rose from 48 in 2012 to 65 in 2013. TACs staffed by two or fewer employees are subject to unexpected closures due to employee absence or extended wait times due to higher-than-projected customer volumes. Because of an IRS policy requiring three separate employees to complete a cash transaction, TACs with only one or two employees do not accept cash payments,<sup>28</sup> and due to staffing changes, nearly 42 percent of TACs now cannot accept cash.<sup>29</sup> The IRS could mitigate this problem by updating its website ([www.irs.gov](http://www.irs.gov)) to reflect whether a TAC accepts cash. However, a taxpayer who lacks Internet access, is not familiar with IRS cash acceptance procedures, and does not call ahead to a TAC may travel a long distance to find that he or she cannot make a cash payment.<sup>30</sup>

Taxpayers increasingly seek return preparation assistance through a TAC office, VITA site, paid preparer, or third-party software. Continuing a change made in 2012, however, TACs no longer schedule appointments for return preparation, and perform this service only on a walk-in, first-come first-served basis.<sup>31</sup> In the 2013 filing season, TACs prepared 57,027

26 IRS, Joint Operations Center, Snapshot Reports FY 2004-2012. The actual data was provided in seconds and converted to minutes. In FY 2004, average phone wait time was 158 seconds (2.6 minutes).

27 IRS Human Resources Reporting Center Post of Duty and Building Reports (Feb. 11, 2012, Feb. 9, 2013).

28 IRM 21.3.4.7.11.5 (Apr. 1, 2011). To comply with the requirements associated with the segregation of duties and to implement the remittance/courier process, three separate employees are required to complete the cash transaction.

29 IRS Human Resources Reporting Center Post of Duty and Building Reports (Feb. 9, 2013). 164 TACs have fewer than three employees out of 392 total TACs, resulting in 41.8 percent that cannot ever accept cash payments.

30 IRM 21.3.4.7.2 (Oct. 1, 2011).

31 W&I Business Performance Review 3 (Nov. 14, 2012).

accepted tax returns, down more than 50 percent from 122,843 in 2011 when they still made appointments.<sup>32</sup>

**FIGURE III.4, VOLUME AND SOURCE OF CURRENT YEAR INDIVIDUAL RETURNS ACCEPTED FOR THE 2010 THROUGH 2013 FILING SEASONS<sup>33</sup>**

Individual Tax Returns Accepted	2011 Filing Season (through 4/22/2011)	2012 Filing Season (through 4/20/2012)	2013 Filing Season (through 4/19/2013)
Volunteer Prepared Returns	2,429,081	3,051,319	2,298,173
Traditional Free File Electronic Returns	2,632,990	2,549,423	2,384,332
Free File Fillable Forms Electronic Returns	407,795	449,937	450,951
TAC E-File Tax Returns	30,986	71,345	29,562
Other E-File Returns	99,147,031	104,868,842	107,168,713
V-Coded Paper Returns	16,326,993	12,956,427	11,175,270
Other Paper Returns	7,584,124	6,925,707	6,437,999
Total Individual Returns Accepted	128,559,000	130,873,000	129,945,000

Returns prepared using software, then printed and mailed to the IRS, are called “v-coded” returns. This category declined because IRC § 6011(e)(3) and the associated regulations require preparers who reasonably expect to file 11 or more returns per year to e-file.<sup>34</sup>

Some taxpayers are eligible (based on income level) to e-file at no cost through participating software vendors or fillable forms available (without income limitation) on the IRS website under the Free File program. The number of Free File returns accepted is far below the 60 to 70 percent that are eligible.<sup>35</sup> When taxpayers were asked in focus groups about whether they would use Free File, some responded that they:

- Do not trust that it is truly free;
- Are wary about security;
- Are not computer literate/savvy;
- Do not trust the IRS; and
- Want a physical copy of the return to feel secure.<sup>36</sup>

32 IRS, EFILE Field Assistance Report, May 7, 2013. IRS, EFILE Field Assistance Report, May 8, 2011. The decrease in returns prepared by the IRS and accepted by the EFILE system since the IRS stopped accepting appointments for tax return preparation is 53.6 percent. The IRS prepared 65,816 fewer returns that were accepted in filing season 2013.

33 E-File Reports and Filing Season Statistics (Apr. 22, 2011, Apr. 20, 2012, Apr. 19, 2013). Volunteer prepared return data for the 2011 filing season is only through March 31, 2011 per W&I Business Performance Review 16 (May 17, 2011). TAS Research estimated the V-coded return counts for the dates indicated, based on the number of V-coded returns processed as of the date indicated.

34 Treas. Reg. § 301.6011-7(a)(3).

35 Memoranda of Understanding between the IRS and the Free File Alliance set the coverage level of returns eligible for Free File.

36 Publication 4833, *Report of Findings from Marketing Focus Groups Among Taxpayers* (Sep. 2010).

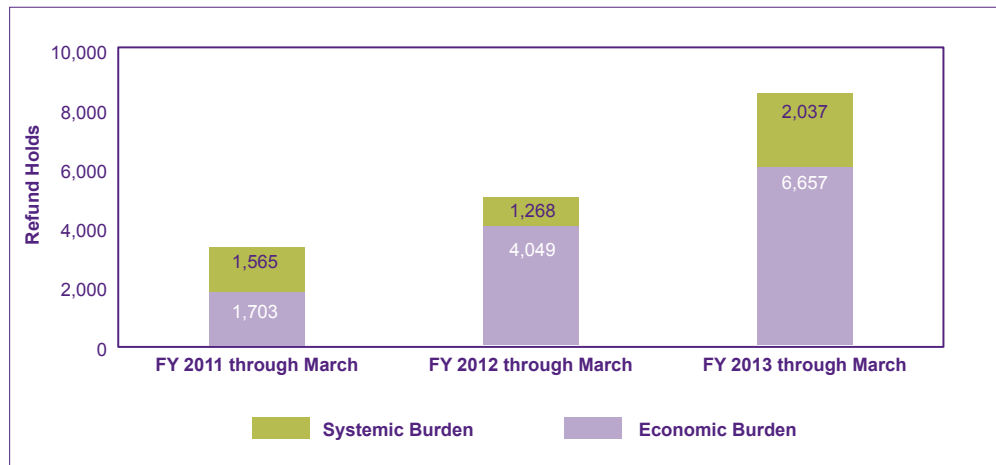
In FY 2014, TAS will encourage to IRS offer a free electronic filing option that allows taxpayers of all income levels to self-prepare and transmit their tax return directly to the IRS. This approach may address taxpayer security concerns.<sup>37</sup>

## D. Implementation of Fraud Detection Filters Impacts Taxpayers

The IRS has several methods of detecting and stopping refund fraud and identity theft through electronic filters.<sup>38</sup> However, these filters also can ensnare legitimate claims.

Over the last three years, TAS has seen a significant increase in wage verification cases. In FY 2011, TAS had received 3,268 such cases by March 30, where in FY 2013 the number rose to 8,695, an increase of 166 percent. *Cases involving taxpayers who are facing an economic burden increased over 290 percent during the same time frame, from 1,703 to 6,657.*<sup>39</sup> This increase shows that the wage verification unit is still failing to provide adequate victim assistance with respect to legitimate refunds where a filter inadvertently catches a valid return.

**FIGURE III.5, TAS WAGE VERIFICATION REFUND HOLD ECONOMIC AND SYSTEMIC BURDEN CASES, FY 2011 - 2013<sup>40</sup>**



The number of taxpayers who came to TAS seeking release of refund holds and who received this relief shows that the IRS continues to impose significant delays on innocent taxpayers. The percentage of taxpayers who received full or partial relief from TAS, or

<sup>37</sup> For further information about the National Taxpayer Advocate's position on free electronic filing, see National Taxpayer Advocate 2012 Annual Report to Congress 232-250 (Most Serious Problem: *The IRS Has Failed to Make Free Return Preparation and Free Electronic Filing Available to All Individual Taxpayers*).

<sup>38</sup> For more information about IRS efforts to combat identity theft, see Areas of Focus: *Identity Theft*, *supra*.

<sup>39</sup> Data from TAMIS (Oct. 1, 2011 and Apr. 1, 2013).

<sup>40</sup> Data from TAMIS (Oct. 1, 2011, Oct. 1, 2012, and Apr. 1, 2013).

relief from the IRS after contacting TAS, has increased from 75 percent in FY 2012 to 81 percent in FY 2013 (through March).<sup>41</sup>

**FIGURE III.6, TAS RELIEF DATA FOR WAGE VERIFICATION REFUND HOLD CASES, FY 2011 - 2013<sup>42</sup>**

Type of Relief	% of Cases Closed in FY 2011	% of Cases Closed in FY 2012	% of Cases Closed in First Half of FY 2013
Full Relief	73%	68%	64%
Relief provided prior to TAS intervention	4%	5%	14%
Partial Relief	2%	2%	3%
No Relief (no response from taxpayer)	18%	21%	16%
Relief not required (taxpayer rescinded request)	1%	1%	1%
No relief (hardship not validated)	<1%	<1%	<1%
Relief not required (no Internal Revenue issue)	<1%	<1%	<1%
No relief (tax law precluded relief)	<1%	<1%	<1%
TAO Issued - IRS Complied	<1%	<1%	<1%
TAO Issued - IRS Appealed; TAO Rescinded	0%	<1%	0%
Other no relief	2%	2%	1%
Total Closures	100%	100%	100%

In FY 2014, TAS will continue to advocate for the IRS to improve processes, screening tools, and programming for the 2014 filing season to limit the impact on innocent taxpayers by:

- Actively participating in task forces and groups;
- Monitoring the percentage of returns erroneously stopped by the fraud filters;
- Advocating for changes in filters that are performing less than acceptably; and
- Issuing Taxpayer Assistance Orders when the IRS fails to timely offer relief in response to TAS case advocacy for innocent taxpayers.

### E. Faster Return Processing Continued, But Service Interruptions on “Where’s My Refund?” Confused Taxpayers

The 2013 filing season was the second year the IRS used the Customer Account Data Engine (CADE) 2 to process returns, issue refunds, and maintain individual taxpayer accounts. CADE 2 processes some account actions on a daily basis (versus weekly under the prior system), providing faster refunds to taxpayers and more timely and accurate information for IRS employees to answer taxpayer inquiries. During this past filing season, CADE

41 Data from TAMIS (Oct. 1, 2011 and Apr. 1, 2013).

42 Data from TAMIS (Oct. 1, 2011, Oct. 1, 2012, and Apr. 1, 2013).

2 processed more transactions on a daily basis, including ID theft indicators, most payments, address changes, and name changes.<sup>43</sup>

The IRS “Where’s My Refund” web tool and IRS2Go phone application offered faster and more complete information in 2013. However, the compressed start of the filing season due to late legislative changes generated high traffic and disrupted both services in February 2013. This prompted the IRS to remind taxpayers to check the applications no more than once a day.<sup>44</sup> The IRS also added a graphic refund tracker to these tools that displays three milestones:

- Return received;
- Refund approved; and
- Refund sent.

Both tools posted information 24 hours after IRS e-file acceptance, compared to 72 hours the previous year. However, some taxpayers found subsequent checks of “Where’s My Refund” displayed less progress than shown previously. When taxpayers who received inconsistent information called the IRS, many found IRS employees refused to research the status of their refunds.<sup>45</sup> Later, the Accounts Management unit directed its employees to tell taxpayers the earlier information from “Where’s My Refund” was correct, but the guidance still told employees not to perform research on account unless the taxpayer insisted.<sup>46</sup>

In March 2013, the IRS launched a similar tool, a web and automated phone application called “Where’s My Amended Return” to track Forms 1040X, *Amended U.S. Individual Income Tax Return*.<sup>47</sup> This tool should reduce routine telephone contacts on amended returns, allowing the IRS to shift employees to more complex issues. Even so, the IRS will continue to expend significant time and resources processing amended returns until it allows e-filing for Form 1040X.<sup>48</sup>

Based on the functionality of the refund and amended return tools for the 2014 filing season, TAS will review IRS guidance on refund inquiries to verify, at a minimum, that if taxpayers contact the IRS because the tool gives conflicting information, IRS employees research the account in real time and provide current information to the taxpayer.

43 IMF Daily-Weekly Transactions - 2013 (Dec. 6, 2012).

44 IRS, IRS Statement on “Where’s My Refund?” Tool (Feb. 14, 2013) available at <http://www.irs.gov/uac/IRS-Statement-on-Where's-My-Refund-Tool>.

45 IRM 21.4.1.3 (Jan. 30, 2013). For example, if the IRS assistor learned the taxpayer previously received a message from “Where’s My Refund” of “We received your tax return and it is being processed,” the IRM instructs IRS employees: “DO NOT Access their Account or complete any research. Advise the taxpayer that you are unable to provide any additional information than the information already provided by the automated system.” IRS assistants were following this guidance even though the “Where’s My Refund” message later changed to “cannot provide any information.”

46 IRM 21.4.1.3 (Feb. 11, 2013).

47 IRS, W&I Business Performance Review 7 (Feb. 13, 2013).

48 National Taxpayer Advocate 2008 Annual Report to Congress 274-289.

## F. For the Third Filing Season, the IRS Failed to Program Computers to Process Homebuyer Credit Repayments

The Housing and Economic Recovery Act of 2008 provided first-time homebuyers with a tax credit worth up to \$7,500 for homes purchased after April 8, 2008, and before July 1, 2009.<sup>49</sup> The credit is similar to a no-interest loan and must be repaid in 15 equal, annual installments beginning with the 2010 income tax year. Instead of programming to accommodate a 15-year repayment plan, the IRS has implemented “workarounds” in each filing season to date. However, it does not provide timely or adequate training to its employees and had no workaround in place at the start of the 2013 filing season, thus delaying returns with FTHBC repayments. The IRS began 2013 with no published guidance on resolving certain error conditions, even though TAS raised the issue in prior years. Below is a list of some reasons for the delay in processing the FTHBC:

- The taxpayer forgot to make a repayment;
- The repayment must be divided between the primary and secondary taxpayers;
- The taxpayer is reporting a disposition of the house and the information must be applied to the secondary taxpayer as well; or
- The taxpayer is deceased but the IRS’s computers do not recognize the death and keep looking for a repayment.<sup>50</sup>

After TAS intervened, the IRS finally issued a special alert to employees to process these returns.<sup>51</sup> The laws governing the FTHBC recapture have not changed, but the lack of guidance is affecting many of the same taxpayers across multiple filing seasons. Almost 500,000 taxpayers received the FTHBC subject to repayment, yet the IRS continues to burden these taxpayers every year by failing to implement permanent programming to process FTHBC repayment returns for the next 12 years.<sup>52</sup>

TAS will continue to advocate for permanent guidance through the IRM clearance process and verify that the temporary guidance is incorporated into the permanent IRM. Moreover, through its participation in the IRS Filing Season Readiness team, TAS will make sure that employees receive adequate training on this issue.

49 Pub. L. No. 110-289, § 3011, 122 Stat. 2654, 2888 (July 30, 2008).

50 IRM 3.12.3.79.6.7 (Apr. 2013).

51 IRS, SERP Alert 13U0697 (April 5, 2013).

52 IRS, 2009 IRS Data Book, Table A.



## IV. TAS Research Initiatives

The National Taxpayer Advocate is a strong proponent for the role of theoretical, cognitive, and applied research in effective tax administration. The Office of the Taxpayer Advocate is collaborating with the IRS on a number of research initiatives to determine how best to minimize taxpayer burden, while also supporting the IRS's efforts to increase voluntary compliance.

The following is a discussion of the research that TAS is conducting or participating in during the remainder of FY 2013 and FY 2014.

### A. Earned Income Tax Credit Two-Year Ban Study

When the IRS disallows the EITC to taxpayers as a result of deficiency procedures, and determines that the taxpayers' claims for the credit were due to reckless or intentional disregard of EITC rules and regulations, the IRS bars these taxpayers from claiming EITC for two tax years afterward.<sup>1</sup> The National Taxpayer Advocate is concerned that the IRS may be applying this ban routinely, rather than carefully reviewing the taxpayers' individual circumstances. To address this concern, TAS will conduct a study to determine if the IRS is exercising appropriate discretion when applying the EITC ban.

TAS Research will develop a representative sample of 450 taxpayers who were subjected to the two-year ban after an audit of their tax year 2011 returns. A team drawn from other TAS functions will evaluate each case in the sample to determine whether the IRS examiner exercised appropriate care and judgment. The team members will also complete a data collection instrument (DCI) for each case detailing the procedures followed by the IRS examiner. TAS Research will summarize the results of this analysis. TAS is targeting the end of December 2013 for completion of this study.

### B. Study of Underserved Spanish-Speaking Taxpayers

To ensure that TAS is effectively serving U.S. Hispanics with limited English proficiency (LEP), we need to understand the characteristics of Hispanic LEP taxpayers who may qualify for assistance from TAS. We also need to determine the extent to which eligible LEP taxpayers are either not aware of or are not using our services (i.e., are "underserved"). This information is not readily available from existing sources. To collect the data, TAS Research is working with other TAS functions and a vendor on a survey to identify and characterize Spanish-speaking TAS underserved taxpayers who may have limited English proficiency. This survey complements research TAS conducted in 2012 to better understand English-speaking underserved taxpayers.

<sup>1</sup> IRC § 32(k)(1)(B)(ii). See also IRM 21.6.3.4.2.7.15 (Oct. 1, 2011).

The survey will be administered by phone, which given the target population will be more representative than an online survey. The vendor will field the phone survey to 1,000 U.S. Hispanic adults using an RDD (random digit dialing) methodology focused on HDHA (High Density Hispanic Areas) with Hispanic populations of 33 percent or higher. The sample will be weighted to the characteristics of the overall Hispanic population based on data from the U.S. Census Bureau.

The results will provide an informative profile of our Spanish-speaking taxpayer population, including attributes such as age, income, family size, preparer usage, attitudes about the IRS, awareness of TAS services, health care coverage, and Internet usage (among others). We hope to finish the survey by the end of November 2013.

## C. Study of Factors Impacting Taxpayer Compliance

TAS Research is collaborating with two senior TAS attorney advisors on a multi-year study of the factors that motivate taxpayer compliance behavior. Broadly speaking, these factors include not only the expected likelihood and cost of getting caught cheating (called “economic deterrence”), but compliance norms, trust in the government and the tax administration process, the complexity and convenience of complying, and the influence of preparers.

For the first phase of the study, TAS contracted with a vendor to help design and conduct a telephone-based survey with the principal objective of identifying the major factors that drive taxpayer compliance behavior. TAS gauged the respondents’ level of compliance by using the IRS’s Discriminant Index Function (DIF), a mathematical risk scoring technique.<sup>2</sup>

The vendor administered the survey to two different groups of taxpayers with sole proprietor income (*i.e.*, Schedule C, Profit or Loss from Business (Sole Proprietorship)): a representative national sample of taxpayers and a sample of high and low-compliance communities. Inclusion of the community sample enabled TAS to better evaluate whether taxpayers’ affiliations within their communities appear to influence compliance behavior.

TAS Research published the preliminary study findings in Volume 2 of the National Taxpayer Advocate’s 2012 Annual Report to Congress. Significant findings from the national survey included:

- Taxpayers in the high-compliance group expressed more trust in government and the IRS.
- Those in the low-compliance group expressed less trust in preparers. Although most used a preparer, they were less likely to follow the preparer’s advice.

<sup>2</sup> IRM 4.1.3.2 (Oct. 24, 2006). DIF uses information obtained and periodically updated from the National Research Program (NRP) to create these mathematical formulas. Returns with high DIF scores generally have a higher probability of being adjusted on audit than other returns of the same type.

- Taxpayers in the low-compliance group were more likely to participate in local organizations. They were also significantly more likely to report that other participants view the tax laws and the IRS negatively.
- Responses do not show that economic deterrence motivates compliance decisions. Those in the low-compliance group were less likely to agree that noncompliance goes unpunished.

Significant findings from the community survey included:

- There were many more low-compliance communities than high-compliance communities because taxpayers with high compliance were not concentrated in communities.
- Respondents from the low-compliance communities were suspicious of the tax system and its fairness, whereas those from the high-compliance communities viewed government positively.
- The low-compliance community respondents reported more participation in civic institutions than their high-compliance counterparts. They were also more likely to report that other participants view the tax laws and the IRS negatively.

In the first study phase, TAS Research looked individually at each of the factors to identify which ones appeared to be influencing compliance decisions. We are now using discriminant analysis and logistic regression<sup>3</sup> to help quantify the extent to which each factor appears to influence compliance behavior. Since our preliminary results did not show that economic deterrence motivates compliance decisions, we are conducting new analyses to explore the extent to which audits impact subsequent taxpayer compliance. Our goal is to complete these analyses by the end of this year.

#### D. Automated Substitute for Return (ASFR) Study

The IRS uses the ASFR program to enforce filing compliance by individual taxpayers who have not filed returns, but have incurred a “significant” tax liability.<sup>4</sup> The program estimates the liability by computing tax, penalties, and interest based on information reported by third-party payers. When a taxpayer with reported income is delinquent in filing, the IRS attempts to secure the return through correspondence. If the attempt is unsuccessful, the IRS can, under the IRC, prepare a return for the taxpayer.<sup>5</sup>

In the 2011 Annual Report to Congress, the National Taxpayer Advocate expressed concerns about the IRS’s wholesale use of automated “enforcement assessments” such as

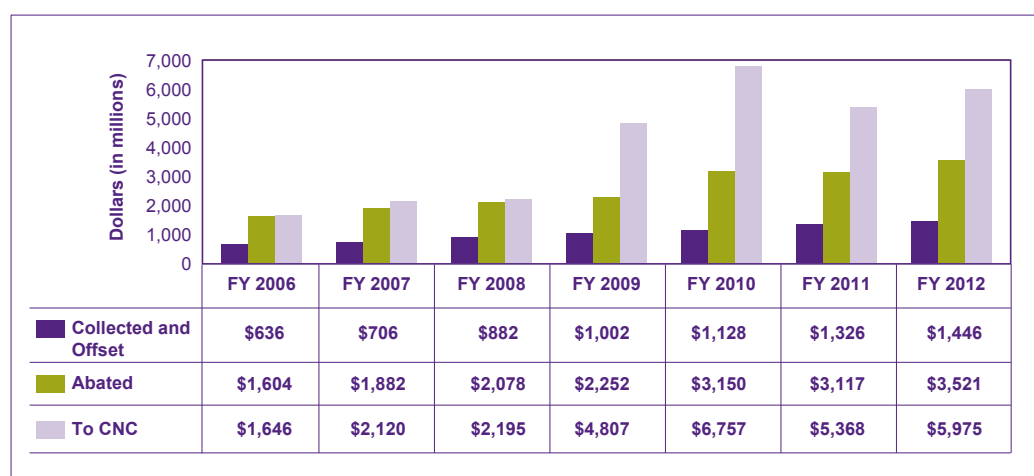
<sup>3</sup> Discriminant analysis and logistic regression are two different mathematical modeling approaches that produce estimates of the extent to which each of a number of factors, represented as independent variables, contribute to a binary outcome, such as whether a taxpayer is compliant or noncompliant.

<sup>4</sup> IRM 5.18.1.2 (Oct. 1, 2005). To meet ASFR processing criteria, the proposed tax liability must meet or exceed a predetermined dollar threshold.

<sup>5</sup> IRC § 6020(b).

ASFR.<sup>6</sup> The report pointed out that the IRS actually collected less than ten percent of the ASFR assessments from FY 2006 through FY 2011.<sup>7</sup> Moreover, as shown below, the IRS abates or reports as currently not collectible a significant percentage of these accounts.

**FIGURE IV.1, ASFR PROGRAM RESULTS (IN MILLIONS) (FY 2006-2012)**



Partially in response to the National Taxpayer Advocate's recommendations, the IRS changed the program. For example, in fiscal year (FY) 2012, the IRS opened fewer ASFR cases so the staff could handle the workload timely. The number of assessments fell by 50 percent from FY 2011,<sup>8</sup> and dollars assessed declined 54 percent.<sup>9</sup>

The National Taxpayer Advocate is concerned, however, that the IRS has not made some necessary changes recommended in the 2011 report. Placing more emphasis on pre-assessment contacts with taxpayers, and ending the practice of making assessments in cases where the IRS has no confirmed address for a taxpayer, would protect taxpayer rights, improve service, and make the best use of IRS resources.

To evaluate whether additional changes to the ASFR Program are needed, TAS Research will compare ASFR assessments against taxpayers whose mail was undeliverable to other ASFR assessments. The analysis will compare dollars collected and how the cases were resolved, in addition to subsequent filing and payment compliance.

6 See National Taxpayer Advocate 2011 Annual Report to Congress 93 (Most Serious Problem: *Automated "Enforcement Assessments" Gone Wild: IRS Efforts to Address the Non-Filer Population Have Produced Questionable Business Results for the IRS, While Creating Serious Burden for Many Taxpayers*); see also National Taxpayer Advocate 2007 Annual Report to Congress 246 (Most Serious Problem: *Nonfiler Program*).

7 See National Taxpayer Advocate 2011 Annual Report to Congress 97 (Most Serious Problem: *Automated "Enforcement Assessments" Gone Wild: IRS Efforts to Address the Non-Filer Population Have Produced Questionable Business Results for the IRS, While Creating Serious Burden for Many Taxpayers*).

8 IRS, Collection Activity Report NO-5000-139, *National Delinquent Return Activity Report* (Sept. 2011-2012).

9 *Id.*

TAS Research will also explore what happens to ASFR cases that the IRS transfers to the collection queue within one year of assessment, and compare their dollars collected and case resolutions to other ASFR assessments in which the IRS uses different collection processes. TAS Research has a target date of the end of 2013 for completion of this study.

### E. Impact of Revenue Officer (RO) Field Presence study

When a taxpayer does not pay a liability, the IRS may assign the case to a revenue officer (RO) in the Collection Field function (Cff), to a group of Automated Collection System (ACS) employees in centralized call sites, or to the “queue” to wait until collection resources become available to work the case. Thus, the IRS has to decide which cases to assign to ROs, ACS, or the queue, and which to prioritize.

Direct comparisons between ACS employees and ROs present challenges. The IRS-wide measures, Collection Coverage and Collection Efficiency, assume ACS is more effective than ROs because ACS generally works “fresh” cases, and closes them using fewer resources and lower-graded employees. These measures create an incentive for IRS executives to divert resources from the Cff to ACS, even though ROs might bring in more dollars by protecting revenue (*e.g.*, preventing future delinquencies) and increasing voluntary compliance. For example, ROs work priority Federal Tax Deposit (FTD) Alerts – cases where employment tax deposits have inexplicably dropped. One recent IRS study found that ROs working these cases

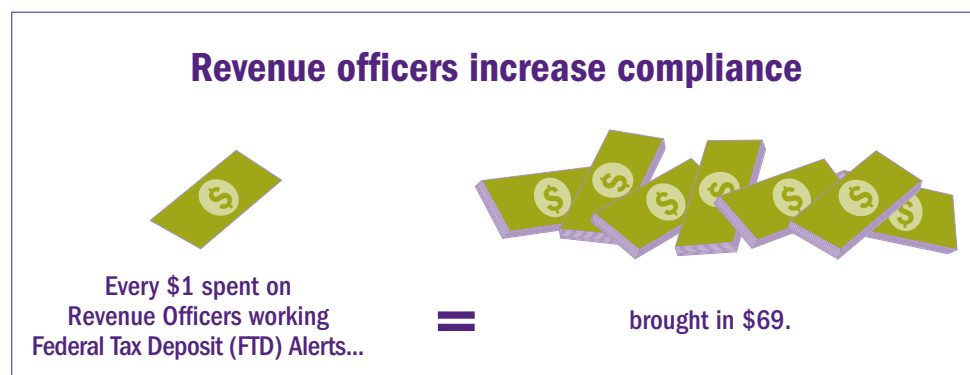
- Improved the likelihood that the taxpayer would become compliant by 12 percentage points (from 28 percent to 40 percent);
- Increased future tax deposits by an average of \$1,832 per case over a 12-month period; and
- Reduced the average penalties assessed against the taxpayer, as compared to priority Alerts that were not worked.<sup>10</sup>

The study also concluded that every dollar spent on ROs working FTD Alerts brought in \$69 by preventing future FTD noncompliance. ACS employees do not undertake similar proactive activities. Thus, the IRS needs to know the relative impact of ACS and ROs on voluntary compliance for different types of cases. Such information could help to improve both IRS “decision analytics” and “business rules” used to assign cases, as well as collection performance measures.

TAS Research is collaborating with a TAS senior attorney advisor to compare the effectiveness of the Cff and ACS when working employment tax cases. Specifically, TAS will identify similar cases that were assigned to an RO, the ACS, or the queue, and then compare the collection results. We will compare the revenue collected, the revenue protected,

10 Small Business/Self-Employed Division (SB/SE) Research, *Federal Tax Deposit Alerts–P3 (Do Alerts Impact Compliance?)* (Feb. 10, 2012); SB/SE Research, *Federal Tax Deposit Alerts–P2 (Cost and Benefit Evaluation)* (Jan. 6, 2012).

penalties assessed, and future payment compliance by each group of taxpayers. We anticipate completing a this study by the end of December 2013.



## F. Determining Whether Accuracy-Related Penalties Improve Future Reporting Compliance of Schedule C Filers

TAS Research is collaborating with a senior attorney advisor on a study that will focus on the taxpayers and penalties that could have the greatest impact on the tax gap – accuracy-related penalties<sup>11</sup> – applied to Schedule C filers. TAS will try to determine if and how accuracy-related penalty assessments affect subsequent reporting compliance by Schedule C taxpayers. Because only some compliance can be measured directly, TAS will seek to gauge reporting compliance using IRS computer algorithms (called a Discriminant Index Function or “DIF” score) that estimate the likelihood that an audit of the taxpayer’s return would produce an adjustment.<sup>12</sup> The study will use changes in the taxpayer’s DIF score as a proxy for changes in voluntary compliance.

The study will identify two similar groups of Schedule C taxpayers who were subject to an examination that uncovered a tax deficiency.<sup>13</sup> One group will include those who were assessed an accuracy-related penalty, and the other group will include those who were not.<sup>14</sup>

- 11 IRC § 6662. A taxpayer may be subject to a 20 percent accuracy-related penalty on the portion of any underpayment attributable to (1) the taxpayer’s negligence or disregard of rules or regulations, or (2) a “substantial understatement” of income tax. Negligence penalties are another type of accuracy-related penalty. A taxpayer may be subject to the negligence penalty if he or she fails to make a reasonable attempt to comply with the internal revenue laws; does not exercise ordinary and reasonable care in preparing a tax return; or fails to keep adequate books and records or substantiate items properly.
- 12 See, e.g., IRM 4.19.11.1.4 (Nov. 9, 2007). The IRS selects some returns for examination using the Discriminant Index Function (DIF) computer scoring system. IRM 4.1.1.2.6 (Oct. 24, 2006). It develops DIF score algorithms based on information obtained and periodically updated from NRP examinations. Returns with high DIF scores generally have a higher probability of being adjusted on audit than other returns of the same type. IRM Exhibit 4.1.7-1(12) (May 19, 1999). The IRS classifies tax returns into mutually exclusive groups called examination “activity codes” (“EAC”), and develops a separate compliance risk scoring algorithm (i.e., a DIF algorithm) for each activity code. For Schedule C filers, the activity codes reflect the amount of gross receipts reported on the Schedule C and the taxpayer’s total positive income (TPI), which is the taxpayer’s positive income (i.e., excluding negative income and losses) from all sources before adjusting for deductions and exemptions.
- 13 TAS will try to ensure the groups are balanced with respect to other factors that could influence compliance behavior, such as previous compliance history.
- 14 To help reduce bias and improve the likelihood that the sample will represent all Schedule C taxpayers, TAS will stratify and/or weight the sample by DIF score and EAC, and whether the taxpayer was previously subject to exam activity. TAS’s ability to conduct this study will depend on its ability to find comparable groups of taxpayers.

TAS will analyze the impact of the accuracy-related penalty on reporting compliance, as measured by changes to the taxpayer's DIF score. TAS will also try to estimate the extent to which the following factors affect the results:

1. Whether the penalty resulted from a defaulted statutory notice of deficiency (*i.e.*, an assessment imposed after the taxpayer failed to petition the Tax Court);<sup>15</sup>
2. Whether the taxpayer requested reconsideration of the penalty;
3. Whether the taxpayer appealed the penalty to Appeals;
4. Whether the penalty was ultimately abated; and
5. The amount of the tax understatement and proposed penalty (*e.g.*, so TAS can determine if the penalty is for a substantial understatement or negligence and whether the penalty is 20 percent or 40 percent).

The study has a target completion date of the end of December 2013.

#### **G. Survey of Low Income Taxpayer Clinic (LITC) Users' Needs**

TAS Research is working with a vendor to develop a telephone survey of potential LITC users to identify the needs of this population with respect to resolution of tax controversies and education about their rights and responsibilities as U.S. taxpayers. The sample will include 1,000 randomly selected respondents drawn from the national population of taxpayers with incomes at or below 250 percent of the federal poverty level. This should include about 50-60 Spanish-speaking respondents, which will be increased to 200 such respondents in a separate survey. The survey will use a sampling frame representative of the population of both landline and cellphone users. TAS anticipates this research will be completed by the end of June 2014.

<sup>15</sup> At this preliminary stage, TAS anticipates that it may be difficult to identify some taxpayers who have requested reconsideration or abatement of the penalty.

## V. CASE ADVOCACY

### A. The Role of the Taxpayer Advocate Service (TAS)

TAS is an independent organization within the IRS.<sup>1</sup> It has continued to evolve since the enactment of the IRS Restructuring and Reform Act of 1998, which created TAS in its current form.<sup>2</sup> TAS is now evaluating its processes and challenging itself to improve the advocacy it delivers during a time of budget constraints. TAS is seeing continued increases in identity theft and preparer misconduct cases, and experiencing trends in collection enforcement issues as discussed in the Areas of Focus section of this report.<sup>3</sup>

Taxpayers may come to TAS when:

- They have experienced a tax problem that causes financial difficulty;
- They have encountered problems trying to resolve their issues directly with the IRS; or
- An IRS action or inaction has caused or will cause them to suffer a long-term adverse impact, including a violation of their rights.<sup>4</sup>

TAS has established case criteria derived in part from the statutory mission pursuant to IRC § 7803(c)(2)(A) (i) to assist taxpayers with unresolved problems with the IRS and TAS’s authority to issue Taxpayer Assistance Orders pursuant to IRC § 7811 and related regulations. TAS has established four case criteria categories:<sup>5</sup>

#### When do taxpayers come to the Taxpayer Advocate Service?

When they have experienced a tax problem that causes financial difficulty

OR

They have had problems resolving their issues directly with the IRS

OR

IRS action or inaction has caused or will cause them a long-term negative impact, including a violation of their rights

<sup>1</sup> IRC § 7803(c).

<sup>2</sup> See Appendix I: *Evolution of the Office of the Taxpayer Advocate*, *infra*.

<sup>3</sup> See Areas of Focus, *As the IRS Adopts a Specialized Approach to Identity Theft Victim Assistance Concerns About Timeliness and Completeness Remain; The IRS Harms Taxpayers by Refusing to Issue Refunds to Some Victims of Return Preparer Fraud; The TAS Collection Case Review Yielded Valuable Insights on How TAS Can Improve Advocacy in Collection Cases*, *supra*.

<sup>4</sup> For a detailed list of TAS’s case acceptance criteria, see Appendix II, *infra*.

<sup>5</sup> IRC § 7803(c)(2)(C)(ii) states that the National Taxpayer Advocate shall “develop guidance to be distributed to all Internal Revenue Service employees outlining the criteria for referral of taxpayer inquiries to local offices of taxpayer advocates.”



1. *Economic Burden* – Four categories of cases are classified as economic burden cases:
  - a. A taxpayer is experiencing economic harm or is about to suffer economic harm;
  - b. A taxpayer is facing an immediate threat of adverse action;
  - c. A taxpayer will incur significant costs if relief is not granted; and
  - d. A taxpayer will suffer irreparable injury or long term adverse impact if relief is not granted.

In many of these cases, time is of the essence, and if the IRS does not act quickly (*e.g.*, to remove a levy or release a lien), the taxpayer will experience even more financial harm.<sup>6</sup>

2. *Systemic Burden* – Systemic burden cases involve situations where the taxpayer has experienced a delay of more than 30 days to resolve a tax account problem, where the taxpayer has not received a response by the date promised or where a system or procedure has either failed to operate as intended or failed to resolve the taxpayer's problem or dispute within the IRS.<sup>7</sup>
3. *Best Interest of the Taxpayer* – Best interest of the taxpayer cases involve situations where the manner in which the tax laws are being administered raises considerations of equity or has impaired or will impair the taxpayer's rights. For example, this criterion would be met if the taxpayer disagrees with the proposed tax assessment and the notice of deficiency was issued without giving the taxpayer his appeal rights.<sup>8</sup>
4. *Public Policy* – Public policy cases are those where the National Taxpayer Advocate has determined that compelling public policy warrants assistance to an individual or group of taxpayers. The National Taxpayer Advocate has the sole authority to determine which issues are included in this criterion and will so designate by memo.<sup>9</sup>

## B. TAS Receipts Trends Show Increase in Economic Burden Cases While Relief Rates Increase Overall

Through March 2013, TAS had received 105,985 cases in FY 2013, closed 101,907, and provided relief to taxpayers in more than 80 percent of the cases closed, compared to more than 77 percent for the same period in FY 2012.<sup>10</sup> This is the highest relief rate TAS has achieved.<sup>11</sup> Figure V.1 shows receipts, closures, and relief rates by case category through the end of March.

6 IRC § 7803(c)(2)(A)(i); IRM 13.1.7.2.1, (Aug. 24, 2007).

7 IRC § 7803(c)(2)(A)(i); IRM 13.1.7.2.2 (July 23, 2007).

8 *Id.*

9 IRC § 7803(c)(2)(A)(i); IRM 13.1.7.2.4 (Apr. 26, 2011).

10 TAS determines relief rates based upon whether TAS can provide full or partial relief or assistance on the issue initially identified by the taxpayer. Because TAS frequently provides relief on issues that differ from the ones initially identified, the relief rate, as calculated, is understated. Data obtained from Taxpayer Advocate Management Information System (TAMIS) (Apr. 1, 2013). TAS uses TAMIS to record, control, and process taxpayer cases, and analyze the issues that bring taxpayers to TAS.

11 TAS began tracking the monthly relief rate in 2007.

## C. Economic Burden Cases

As shown in Figure V.1, the majority of TAS cases involve either economic or systemic burden issues. In economic burden cases, taxpayers are often experiencing financial difficulty in complying with their tax obligations, or IRS actions are creating or contributing to such difficulty. While TAS strives to expeditiously resolve all cases, it places special emphasis on helping taxpayers experiencing financial difficulty. In these instances, TAS requires case advocates to take specific actions to expedite initial case processing, and contact the taxpayer to communicate these actions and request additional information (if needed) within three workdays of the date TAS receives the case.<sup>12</sup> As shown in Figure V.2, TAS's economic burden receipts have risen consistently since FY 2010, while systemic burden receipts have declined. So far in FY 2013 over 63 percent of TAS cases involve economic burden, the highest percentage since TAS was formed in 2000. (In FY 2000, the percentage of economic burden cases was almost 15 percent of the 259,552 total receipts for that year.<sup>13</sup>

**FIGURE V.1, TAS CASE RECEIPTS, CLOSURES, AND RELIEF RATES, FY 2012 AND 2013 CUMULATIVE THROUGH MARCH<sup>14</sup>**

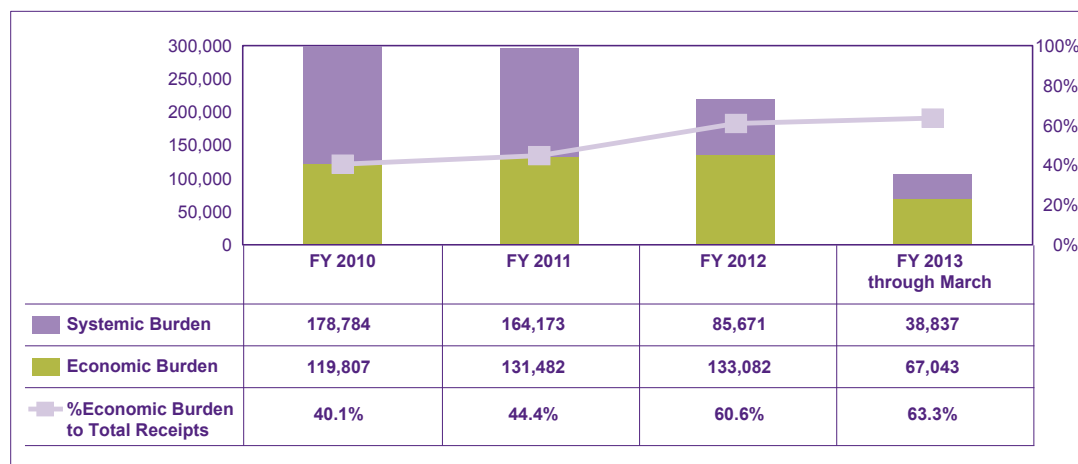
Case Categories	Receipts	Closures	Relief Rates FY 2013	Relief Rates FY 2012
Economic Burden	67,043	60,972	78.6%	73.8%
Systemic Burden	38,837	40,811	82.5%	80.2%
Best Interest of Taxpayers	77	65	66.2%	67.7%
Public Policy	28	59	62.7%	73.0%
Total Cases	105,985	101,907	80.2%	77.2%

<sup>12</sup> IRM 13.1.18.2(1) (Feb. 1, 2011).

<sup>13</sup> Data obtained from the Problem Resolution Program (PRP) Archive (Nov. 2002) for 2000 and 2001; TAS Business Performance Review; National Taxpayer Advocate 2004 Annual Report to Congress 575 for 2002 through 2003; National Taxpayer Advocate 2008 Annual Report to Congress 549-550 for 2004 through 2007; National Taxpayer Advocate 2012 Annual Report to Congress 665 for 2008 through 2012; and TAMIS (Apr 1, 2013).

<sup>14</sup> Data obtained from TAMIS (Mar. 1, 2013). TAS tracks resolution of taxpayer issues through codes entered at the time of closing on TAMIS and requires case advocates to indicate the type of relief or assistance provided. See IRM 13.1.21.1.2.1.2 (Feb. 1, 2011). The codes reflect full relief, partial relief, or assistance provided. The relief rate is determined by dividing the total number of cases closed with full relief, partial relief, or assistance by the total number of closures.

**FIGURE V.2, TAS ECONOMIC BURDEN AND SYSTEMIC BURDEN RECEIPTS, FY 2010 THROUGH FY 2012 AND FY 2013 CUMULATIVE THROUGH MARCH 2013<sup>15</sup>**



TAS tracks underlying issues to identify the immediate causes of increasing economic burden receipts. Figure V.3 lists the top five economic burden issues in FY 2013, through March.

**FIGURE V.3, TOP FIVE ECONOMIC BURDEN CASE ISSUES FY 2011 THROUGH FY 2012 AND FY 2012 THROUGH FY 2013 CUMULATIVE THROUGH MARCH<sup>16</sup>**

Rank	Issue Description	FY 2011	FY 2012	Percent Change	FY 2012 Cumulative through March	FY 2013 Cumulative through March	Percent Change
1	Identity Theft	21,500	42,300	96.7%	11,695	19,148	63.7%
2	Unpostable and Rejected Returns	8,658	4,358	-49.7%	2,152	7,433	245.4%
3	Pre-Refund Wage Verification Hold	8,616	12,649	46.8%	4,049	6,657	64.4%
4	Levies (including Federal Payment Levy Program)	13,299	10,174	-23.5%	5,600	4,261	-23.9%
5	IRS Refund Offset	5,617	4,572	-18.6%	3,212	3,017	-6.1%

As discussed in the Areas of Focus, identity theft (IDT) is a significant problem for many taxpayers. Victims may suffer economic harm as they wait for the IRS to resolve their account-related issues and issue their refunds. IDT remains the number one issue in TAS economic burden cases, almost doubling from FY 2011 to FY 2012, and up nearly 64 per cent through March 2013 from the same period last year.

<sup>15</sup> Data obtained from TAMIS (Apr. 1, 2013). TAS retrieved the data on the first day of the month following the end of each fiscal year for FY 2009 through FY 2012 and first day of the month following the end of the first quarter of FY 2013.

<sup>16</sup> Data obtained from TAMIS (Oct. 1, 2011; Oct. 1, 2012; Apr. 1, 2012; and Apr. 1, 2013). TAS computed the top five economic burden cases using only Primary Issue Codes (PIC). Often TAS cases involve more than one issue and TAS tracks these data; however, these are not included within this computation to avoid counting a case more than once.

During the filing season, the number of returns rejected due to processing errors more than doubled from the prior year.<sup>17</sup> The IRS’s multiple filters also caused returns to be rejected. The downstream impact of these rejected returns was that TAS received economic burden cases involving the Education Credit, First-Time Homebuyer Credit (FTHBC) repayment, and identity theft protection filters.<sup>18</sup>

Levy issues are fourth on the list of economic burden issues for FY 2013. As reflected in the chart above, these receipts have decreased nearly 24 percent from FY 2012 (through March), in part because of an important systemic effort by the National Taxpayer Advocate related to Federal Payment Levy Program cases. The National Taxpayer Advocate emphasized the need for the IRS to implement filters to screen out taxpayers whose incomes are below 250 percent of the federal poverty level set by the Department of Health and Human Services. This filter is designed to protect low income taxpayers from experiencing an economic hardship and ensure the IRS does not issue levies that it would likely have to release immediately on the grounds of hardship.<sup>19</sup> While the IRS’s filter identifies taxpayers with incomes below 250 percent of the federal poverty level, it does not protect these taxpayers if they are not current on all tax filing requirements. TAS is now advocating for the IRS to refine its filter in line with *Vinatieri v. Commissioner*,<sup>20</sup> where the Tax Court held that taxpayers with economic hardship cannot be required to file returns to have levies released.

In FY 2013, TAS reviewed more than 800 collection cases to assess how it advocated in these cases and determine how it can improve its advocacy on collection issues. The results of the case reviews provide valuable insight and recommendations on how TAS can improve advocacy in these cases.<sup>21</sup>

In FY 2014, TAS will continue to advocate for the expansion of the filter program to include low income taxpayers who have not filed returns. In addition, TAS will improve advocacy in collection cases as discussed in the recommendations from the National Collection Issue Review Panel.<sup>22</sup>

## D. Systemic Burden Case Trends Result in a Change to Acceptance Criteria

In FY 2011, it became clear that TAS did not have the resources to handle its growing inventory without adverse impact on its effective and timely service. At the time, TAS was inundated with cases involving the First-Time Homebuyer Credit, identity theft, and

17 From Error Resolution System (ERS IMF/BMF MISR26): The number of returns rejected as of Mar. 2, 2012 was 631,249 as compared to 1,948,484 returns rejected over the same time (Mar. 1, 2013).

18 For a further discussion of these issues, see *Filing Season Review*, *supra*.

19 National Taxpayer Advocate 2011 Annual Report to Congress 350 (Most Serious Problem: *The New Income Filter for the Federal Payment Levy Program does not fully Protect Low Income Taxpayers from Levies on Social Security Benefits*).

20 *Vinatieri v. Comm’r*, 133 T.C. 392 (2009). In *Vinatieri*, the Settlement Officer proposed to levy on a taxpayer even though the levy would cause an economic hardship. The Tax Court held that the proposed levy was not appropriate given that under IRC § 6343(a)(1)(D), the IRS must release a levy if economic hardship is present. Proceeding with a levy that would have to be immediately released constituted an abuse of discretion.

21 See Areas of Focus, *The TAS Collection Case Review Yielded Insight on How TAS Can Improve Advocacy in Collection Cases*, *supra*.

22 See Areas of Focus, *supra*.

pre-refund wage verification issues. Additionally, the last taxpayer survey TAS commissioned found that, at any given time, between 5.9 million and 12.6 million taxpayers have problems that fit within TAS's case-acceptance criteria.<sup>23</sup> TAS cannot possibly take on this many cases and maintain the level of quality taxpayers expect and deserve. TAS assessed where its efforts have the greatest impact, and identified four categories of return processing issues in which the IRS, left to its own devices, seemed to get the right answer, albeit slowly. Those cases involve processing original tax returns, amended returns, rejected and unpostable returns,<sup>24</sup> and injured spouse claims.<sup>25</sup> The National Taxpayer Advocate issued interim guidance to employees effective October 1, 2011, narrowing the case referral criteria for systemic burden inquiries in these four categories.<sup>26</sup>

Because of this policy change, receipts in these categories decreased more than 29 percent from March of FY 2010 to March of FY 2013. This shift in workload gives case advocates more time to work the issues where TAS brings the most value.<sup>27</sup>

TAS will continue accepting cases involving the four categories listed above if the taxpayer:

- Is suffering an economic burden;
- Has related issues (e.g., needs an amended return processed quickly because the IRS has created a substitute for return and is trying to collect, and the amended return will eliminate or minimize the tax liability);<sup>28</sup>
- Is referred by a congressional office; or
- Specifically requested TAS assistance.

In FY 2014, these changes in criteria are likely to continue due to resource limitations. TAS is exploring a strategic approach to provide alternate services on certain systemic issues that will allow it to keep its focus on economic burden issues without causing negative consequences for the taxpayer. This strategy will involve:

1. Identifying self-help tools for taxpayers in resolving requests for expedited refunds, returned or stopped refunds, and requests for copies of certain documents, (returns, reports, determination letters etc.). TAS will produce short videos with downloadable

23 Russell Research, *Report of Findings from 2007 Market Research for the Taxpayer Advocate Service* (Sept. 6, 2007).

24 An unpostable return is one that does not pass all the required computer checks to complete processing and update a taxpayer's account. These returns require intervention by an IRS employee.

25 An injured spouse claim is filed on Form 8379, *Injured Spouse Allocation*, by one spouse (the injured spouse) on a jointly filed return when the joint overpayment was (or is expected to be) applied (offset) to a past-due obligation of the other spouse. By filing Form 8379, the injured spouse may be able to get back his or her share of the refund.

26 See TAS Interim Guidance Memorandum TAS-13.1.7.0912.0194, *Reissuance of Interim Guidance on Changes to Case Acceptance Criteria*, available at [http://www.irs.gov/pub/foia/ig/tas/tas\\_13.1.7-0912-019.pdf](http://www.irs.gov/pub/foia/ig/tas/tas_13.1.7-0912-019.pdf) (last visited Mar. 28, 2013).

27 Data obtained from TAMIS. Receipts for the four categories through March 2010 totaled 24,495, including 3,997 processing original returns; 2,344 unpostable or rejects; 15,525 processing amended returns; and 2,629 injured spouse claims. Total receipts through March 2013 were 17,362, including 3,759 processing original returns; 7,837 unpostable or rejects; 3,988 processing amended returns; and 1,778 injured spouse claims.

28 A substitute for return is a return prepared for a taxpayer by the IRS when it has no record of receiving a return and has not been able to obtain one from someone who was expected to file. See IRC § 6020(b).

forms and simple guidelines for taxpayers and will test these self-help approaches to determine if taxpayers can resolve selected issues without direct TAS help.

- Identifying issues where intake advocates (employees who handle the initial contact with the taxpayer) can take full and complete action(s) to resolve all issues without assigning the case to a case advocate, and with no negative impact on customer satisfaction. Phase I of this program will include Automated Underreporter (AUR) issues and installment agreements; Phase II will include math errors and missing or incorrect payments.

## E. TAS Identifies Significant Trends in Case Receipts

By analyzing the underlying issues in individual casework, TAS identifies trends that affect larger groups of taxpayers, and uses that information to work with the IRS to resolve the broader issues. Figure V.4 lists the top ten issues facing taxpayers.

**FIGURE V.4, TOP 10 ISSUES FOR CASES RECEIVED IN TAS, FY 2011 – 2012 AND FY 2012 – FY 2013 (CUMULATIVE THROUGH MARCH)<sup>29</sup>**

Rank	Issue Description	FY 2011	FY 2012	Percent Change	FY 2012 Cumulative through March	FY 2013 Cumulative through March	Percent Change
1	Identity Theft	34,006	54,748	61.0%	15,921	26,354	65.5%
2	Pre-Refund Wage Verification Hold	21,286	18,012	-15.4%	5,317	8,695	63.5%
3	Unpostable and Rejected Returns	13,288	5,286	-60.2%	2,406	7,837	225.7%
4	Levies (including Federal Payment Levy Program)	15,466	11,419	-26.2%	6,265	4,747	-24.2%
5	Processing Amended Return	22,743	8,783	-61.4%	3,722	3,988	7.1%
6	Reconsideration of Audits and Substitute for Return under IRC § 6020(b)	111,902	9,344	-58.9%	4,455	3,847	-13.6%
7	Processing Original Return	11,578	6,250	-46.0%	3,098	3,759	21.3%
8	IRS Offset	6,995	5,298	-24.3%	3,589	3,307	
9	Earned Income Tax Credit	8,729	7,441	-14.8%	3,597	3,030	-15.8%
10	Open Audit (Not Earned Income Tax Credit)	21,397	8,885	-58.5%	4,348	2,820	-35.1%
Total TAS Receipts		167,390	62,706	-62.5%	52,718	68,384	29.7%

In FY 2013, TAS identity theft cases are trending up from prior years, increasing by nearly 66 percent for all case categories compared to the same period last year.<sup>30</sup>

<sup>29</sup> Data obtained from TAMIS (Apr. 1, 2013).

<sup>30</sup> See Areas of Focus, *As the IRS Adopts a Specialized Approach to Identity Theft Victim Assistance Concerns About Timeliness and Completeness Remain, supra*.

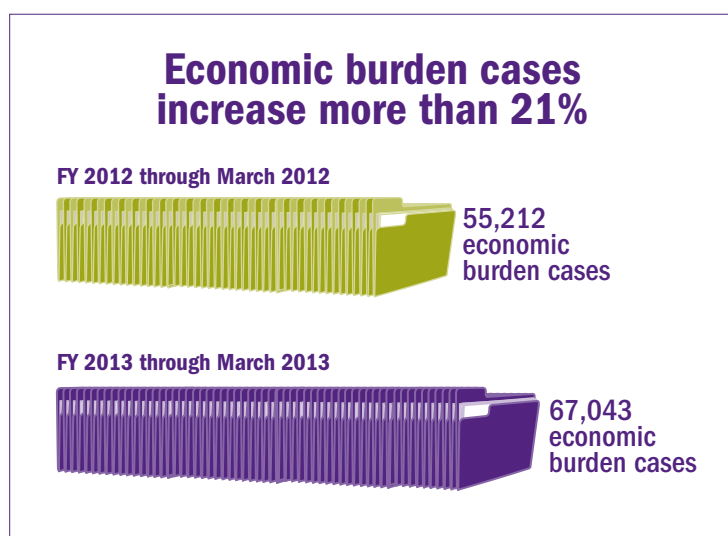
Pre-refund wage verification holds (PRWVH) are still a significant issue. The IRS's Integrity & Verification Operations (IVO, formerly AMTAP) electronically screens questionable returns to detect false wages and withholding before releasing refunds.

As reflected in figure V.5, through March of FY 2013, PRWVH cases rose by nearly 64 percent over the same period last year. Through March 2013, TAS received 8,695 PRWVH cases and closed 7,193, providing relief to taxpayers in 67 percent of the closed cases.<sup>31</sup>

## F. Case Urgency, Complexity, and Difficulty Continue to Grow

While narrowing the focus of case acceptance criteria significantly reduced systemic burden receipts in four categories as discussed above, the urgency and complexity of economic burden cases continued to grow.<sup>32</sup> These receipts increased more than 21 percent with 67,043 cases coming to TAS through March 2013 compared to 55,212 for the same period in 2012.

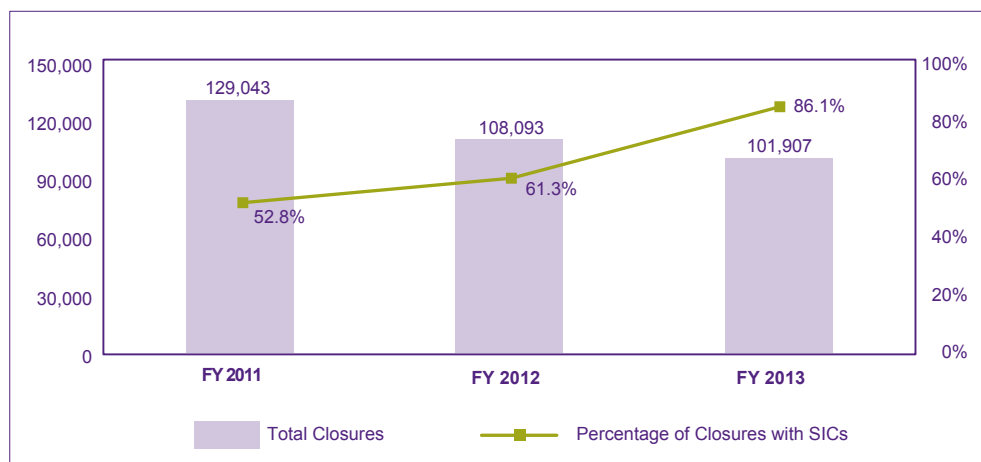
Economic burden cases often require a greater sense of urgency because the taxpayers may be experiencing financial difficulty and expedited actions may be necessary. In addition to cases that required expedited actions in FY 2012, (through March) more than 61 percent of all closed cases involved two or more issues, as shown in figure V.5.



31 Data obtained from TAMIS (Apr. 1, 2013). Closed PRWVH cases through March 2013 totaled 4,844, representing 67 percent of total closed PRWVH cases for the period.

32 Data obtained from TAMIS (Apr. 1, 2013). Total receipts for the four categories through March 2010 were 24,495. Total receipts through March 2013 were 17,362, a net change of 29.1 percent.

**FIGURE V.5, TAS CLOSED CASES WITH SECONDARY ISSUE CODES, CUMULATIVE THROUGH MARCH, FY 2011 TO FY 2013<sup>33</sup>**



Through March 2013, more than 86 percent of closed cases had multiple issues, an increase of nearly 39 percent since 2011 for the same period.<sup>34</sup> Multiple issues often indicate a complex case that may require TAS to work with several IRS functions through the Operations Assistance Request (OAR) process.<sup>35</sup> The vast majority of identity theft cases, for example, involve multiple issues that Case Advocates must work to resolve. As a result, identity theft cases typically take longer to resolve than the average TAS case.<sup>36</sup>

In FY 2014, TAS will

- Provide continuous education to employees on how to resolve complex and difficult case issues.
- Identify IRS process changes or problems that will impact customers and lead to TAS receipts, so TAS can proactively develop solutions.

## G. TAS Implements Centralized Case Intake Initiative to Streamline Taxpayer Assistance

One way taxpayers request assistance from TAS is by contacting the National Taxpayer Advocate's (NTA) toll-free line.<sup>37</sup> The line is staffed by Wage and Investment (W&I) division customer service representatives who screen cases to identify those that the IRS cannot resolve immediately and need to go to TAS. The assistors determine whether cases

<sup>33</sup> Data obtained from TAMIS (Apr. 1, 2011; Apr.1, 2012; Apr. 1, 2013).

<sup>34</sup> *Id.*

<sup>35</sup> TAS employees use the OAR to request that the IRS complete an action on a TAS case when TAS lacks the authority to take that action.

<sup>36</sup> As of March 31, 2013, the closed case cycle time for identity theft was 99.4 days while for all other TAS cases it was 80.1 days. Data obtained from TAMIS (Apr. 1, 2013).

<sup>37</sup> Current NTA toll-free (1-877-777-4478) sites include the Richmond, Baltimore, Dallas, Puerto Rico call sites, and the Atlanta and Fresno campuses.



meet TAS criteria, load them into TAMIS,<sup>38</sup> identify the appropriate TAS office to work the issues, and provide the customer with contact timeframes. Upon receipt in TAS, a local Intake Advocate screens and perfects the information for final assignment to a Case Advocate (CA) who actually works the case. After all of these actions, the customer has yet to speak to a TAS employee.

In FY 2013, TAS will implement a centralized case intake initiative, in which NTA toll-free assistors will identify calls that appear to qualify for TAS assistance and then transfer those calls in real time to TAS Intake Advocates.<sup>39</sup> These Intake Advocates will research the NTA assistors' contact notes, thus reducing burdensome repetition for the taxpayer, and make every attempt to resolve the issue(s) immediately. The Intake Advocates will advise the customers how their issues will be resolved, which may include opening a TAS case or referring them to a Low Income Taxpayer Clinic or other IRS function. This initiative will improve taxpayers' direct contact with Intake Advocates in the early stages of the referral and provide a more thorough initial contact, allowing TAS to secure critical information that ultimately results in better service and faster resolution. The customers in turn will learn what to expect, what they should do in preparation for their initial discussion with an assigned Case Advocate (*e.g.*, what documentation to have available), and when their next contact will occur. The goal is to educate and resolve customer issues more quickly and comprehensively, thereby reducing taxpayer burden, and to better develop cases assigned to Case Advocates, so they can better advocate on behalf of the taxpayer. TAS will incorporate our findings from this proof of concept into our further implementation of the centralized case intake operation in FY 2014.

## H. Virtual Service

In FY 2012, TAS participated in the IRS pilot of Virtual Service Delivery (VSD), as TAS employees in Jacksonville, Florida used high-definition, two-way videoconferencing to meet with taxpayers at the IRS Taxpayer Assistance Center in Tampa.

Although the system was primarily for taking new cases into TAS, employees also used video to confer with taxpayers on previously opened cases. Two Low Income Taxpayer Clinics in Oak Ridge, TN and Seattle, WA are conducting a similar virtual service pilot with IRS Appeals offices in Memphis, TN and Fresno, CA.

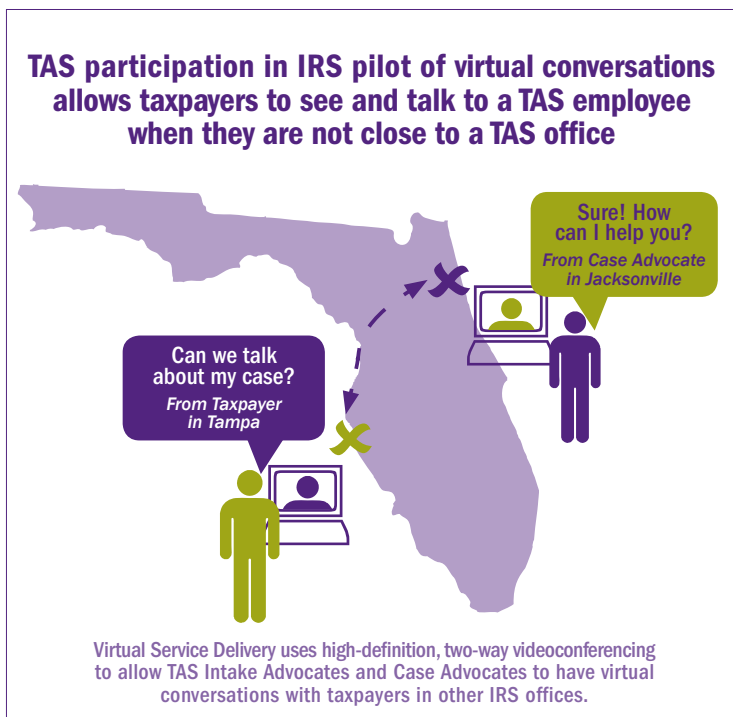
In FY 2013, TAS is connecting to more taxpayers nationwide by increasing the number of video service locations. Four additional sites, in Billings, MT, Davenport, IA, San Diego, CA,

38 The Taxpayer Advocate Management Information System (TAMIS) is the TAS database exclusively dedicated to the recordation, control, and processing of TAS taxpayer cases and to the capturing and analysis of core tax issues, laws, policies and internal IRS functional processes that are the sources of taxpayer significant hardship and other critical problems.

39 In 2004, TAS established the 877-ASK-TAS1 (1-877-275-8271) toll-free number, staffed by intake advocates at three sites. Under the new initiative, the case intake line is expanded to additional TAS offices in Cincinnati, Fresno, Memphis, Ogden, Dallas and Puerto Rico.

and Reno, NV became operational in May 2013,<sup>40</sup> with El Paso, TX, Spokane, WA, and Kenai, AK, anticipated to be online by the end of August.<sup>41</sup> In FY 2014 TAS will continue to encourage and support the use of new technologies and will, depending upon funding, increase the number of virtual service locations. The long-range plan includes:

- Allowing taxpayers and practitioners to connect to TAS through their own computers;
- Integrating multiple service channels (video, phone, and live chat);
- Creating a contact center environment with routing to the next available agent;
- Transferring video sessions to other assistants to help resolve issues;
- Moving from a private to the IRS network to allow use of document-sharing devices and the ability to capture and route electronic survey results;
- Designing self-contained work stations for non-traditional sites; and
- Administering an alternate customer satisfaction survey (possibly using work stations).



## I. TAS Uses its Statutory and Delegated Authorities to Advocate Effectively in Taxpayer Cases

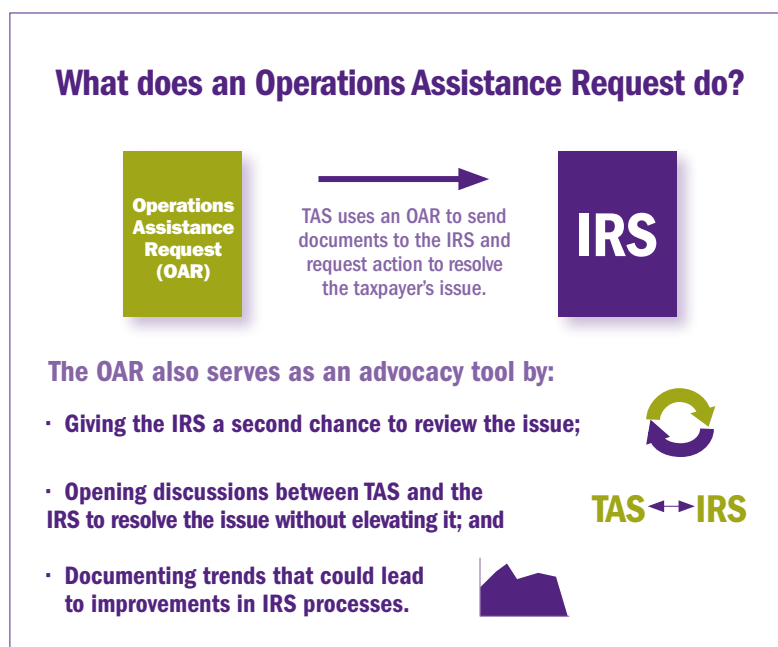
The National Taxpayer Advocate uses two tools in working cases with the IRS and advocating for the taxpayer: the Taxpayer Assistance Order (TAO)<sup>42</sup> and the Operations Assistance

40 The Billings site is shared with IRS Appeals and is located at the Human Resource Development Council, an IRS partner. Davenport is a shared site with Wage & Investment Field Assistance.

41 El Paso and Spokane will be shared with Appeals. Spokane will be a partner site, located at Gonzaga University.

42 IRC § 7811.

Request.<sup>43</sup> TAS employs these resources to resolve individual cases, and in the process, engages the IRS to take corrective actions.



## K. Analysis of TAOs Issued in FY 2013

The TAO is a powerful tool for Local Taxpayer Advocates (LTAs). When the taxpayer is suffering or about to suffer a significant hardship because of the manner in which the internal revenue laws are administered, and the law and the facts support relief, an LTA should consider issuing a TAO when the IRS refuses to take the action TAS previously requested to resolve the case.<sup>44</sup>

The LTA may issue a TAO to order the IRS to take an action, cease an action, or refrain from taking an action (*e.g.*, to release a levy).<sup>45</sup> The LTA also may issue a TAO to order the

<sup>43</sup> Under IRM 13.1.19, when TAS lacks the statutory or delegated authority to directly resolve a taxpayer's problem, TAS interacts with the responsible IRS operating division (OD) or function to resolve the issue. TAS uses Form 12412, *Operations Assistance Request* (OAR), to transmit documentation to the IRS and convey a recommendation or requested action to resolve the taxpayer's issue.

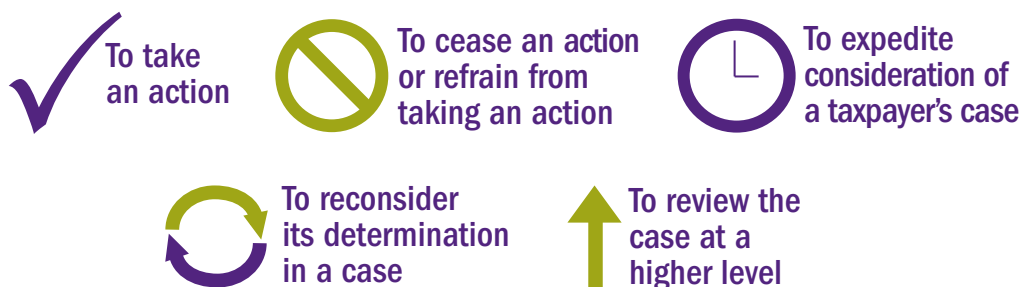
<sup>44</sup> IRC § 7811(a)(1); Treas. Reg. § 301.7811-1(a)(1) and (c).

<sup>45</sup> IRC § 7811(b); Treas. Reg. § 301.7811-1(c); IRM 13.1.20.3 (Dec. 15, 2007).

IRS to expedite consideration of a taxpayer’s case, reconsider its determination in a case, or review the case at a higher level.<sup>46</sup>

## What is a Taxpayer Assistance Order?

A Local Taxpayer Advocate can issue a TAO to order the IRS:



Once TAS issues a TAO, the IRS can comply with the request or appeal the issue for resolution at higher levels.<sup>47</sup> In FY 2013, TAS issued 46 TAOs because the IRS failed to respond to an OAR. Of these 46 TAOs, the IRS complied with 44 in an average of six days. This indicates that had the IRS responded timely to TAS’s initial request through the OAR process, which was clearly within its power, TAS could have resolved the taxpayer’s issue sooner.<sup>48</sup>

**FIGURE V.7, ACTIONS TAKEN ON FY 2013 TAOs ISSUED (THROUGH APRIL 30, 2013)<sup>49</sup>**

Action	Total
IRS Complied with TAO	116
IRS Complied after TAO Modified	7
TAS Rescinded TAO	16
TAO Pending In Process	61
Total	200

TAS issued 200 TAOs through the first seven months of FY 2013. Figure V.8 shows the TAOs issued by fiscal year.

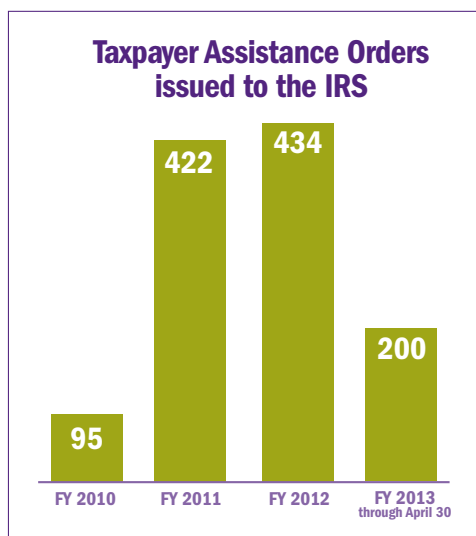
<sup>46</sup> Treas. Reg. § 301.7811-1(c)(3); IRM 13.1.20.3 (Dec. 15, 2007).

<sup>47</sup> IRM 13.1.20.5(2) (Dec 15, 2007).

<sup>48</sup> Data obtained from TAMIS (Apr. 30, 2013).

<sup>49</sup> *Id.* Throughout this section, numbers of TAOs are cited for specific issues and by functions of IRS to whom the TAOs were issued, which may include the same TAOs cited by the specific issues. For example, the examination-related TAOs include some return preparer misconduct TAOs. The TAOs issued to Appeals include one for an identity theft issue that is included in the total of 26 TAOs mentioned in the Area of Focus section on Identity Theft and in the TAO section below.

**FIGURE V.8, TAXPAYER ASSISTANCE ORDERS ISSUED TO THE IRS, FY 2010 – FY 2013<sup>50</sup>**



The following examples presented in this report illustrate the use of TAOs to obtain taxpayer relief in TAS cases. To comply with IRC § 6103 of the Internal Revenue Code, which generally requires the IRS to keep taxpayers' returns and return information confidential, the identifying details of the fact patterns have been modified or redacted.

### **L. TAOs Involving Account Resolution**

Identity theft harms our tax system in many ways. The impact on victims is significant. More than 75 percent of individual taxpayers filing returns claim refunds, averaging about \$3,000. Where a taxpayer's return involves identity theft, refunds are not paid

until the IRS fully resolves a case, which now takes more than six months, as discussed above in the related Area of Focus.<sup>51</sup> In FY 2013 through March, TAS issued 26 TAOs involving identity theft, 19 of which were issued because the IRS failed to respond to OARs by the negotiated completion date.<sup>52</sup> The IRS complied with nineteen of the TAOs within an average of five days. Of the original 26 TAOs issued, 19 cases involved economic burden that caused a hardship and required swift TAS action. Specific examples of hardships encountered by these taxpayers, and worsened by IRS delays, include:

- The IRS refusing to accept a state prison system's verification of the taxpayer's identity, while the taxpayer was held liable for a refund issued to an identity thief;
- Multiple victims being unemployed and behind in bills or homeless, needing refunds desperately;
- An employee who was facing disciplinary action for a tax debt;
- A disabled person's Social Security benefits being stopped because the identity thief's "income" exceeded earnings limits; and
- A taxpayer with cancer working reduced hours due to illness and needing a refund to pay property taxes.

<sup>50</sup> Data obtained from TAMIS (Apr. 30, 2013).

<sup>51</sup> *Id.* See also Areas of Focus, *As the IRS Adopts a Specialized Approach to Identity Theft Victims Assistance, Concerns About Complete and Timely Account Resolution Remain*, *supra* and National Taxpayer Advocate 2012 Annual Report to Congress 42-67 (Most Serious Problem: *Tax-Related Identity Theft Continues to Impose Significant Burdens on Taxpayers and the IRS*).

<sup>52</sup> Per the Service Level Agreements between TAS and the operating divisions of the IRS, the TAS employee will contact the assigned IRS employee to negotiate or renegotiate the earliest possible requested completion date.

## M. TAS Issues TAOs Where IRS Inaction Exacerbates Return Preparer Misconduct

As previously discussed, tax return preparers sometimes file returns without taxpayer authorization, alter return information without their clients' knowledge or consent to obtain improperly inflated refunds, or to divert refunds for their personal benefit.<sup>53</sup> In addition to harming the specific taxpayers who are held accountable for the wrongful refunds paid to the unscrupulous preparers, the preparers harm all taxpayers by perpetrating fraud against the Treasury.<sup>54</sup> Despite TAS's efforts to provide relief to these taxpayers, TAS hits a roadblock working with the Accounts Management unit to resolve and adjust taxpayers' accounts.<sup>55</sup>

TAS issued the first return preparer misconduct TAOs in December 2010. In FY 2012, TAS issued 58 TAOs on this issue, one to SB/SE and 57 to W&I, which is appealing 39 of them. In FY 2013 through April 30, TAS has issued 77 TAOs regarding preparer misconduct. TAS issued four to SB/SE and 73 to W&I, of which 47 are being appealed.<sup>56</sup> W&I routinely appeals TAOs with this statement:

Since this case would fall under the current interim procedures requiring the case to be suspended pending Chief Counsel Guidance requested by the Taxpayer Advocate, we are unable to work the case in the timeframe requested and we are returning the case. Until such time as the Chief Counsel guidance is received, procedures will not be in place to work the case.

This response is unacceptable and to date, the National Taxpayer Advocate has appealed four of these TAOs to the Commissioner of W&I and 17 TAOs to the Acting Commissioner of the IRS for a decision. The W&I Commissioner's response to preparer fraud cases that have been elevated to her has been to appeal the TAO until Counsel, staff, and senior leadership have been able to resolve open issues; meanwhile, these taxpayers wait without their refunds. The IRS's passivity and lack of action on this issue have created significant hardships for these taxpayers, including:

- The IRS holding taxpayer-victims accountable for the inflated refunds the preparers obtained and the taxpayers never received.
- A taxpayer had no filing requirement for many years. When the taxpayer became obligated to file, the preparer altered the return and diverted the additional amounts to his own accounts.
- A taxpayer needed money for a surgery co-payment.

53 See Areas of Focus, *The IRS Harms Taxpayers by Refusing to Issue Refunds to Some Victims of Return Preparer Fraud*, *supra*

54 See Area of Focus, *supra*.

55 National Taxpayer Advocate 2012 Annual Report to Congress 666.

56 Data obtained from TAMIS (Apr. 30, 2013).

- Multiple taxpayers were behind on bills, in jeopardy of losing their homes or utilities, unemployed, or needed refund to pay for health insurance.
- A preparer went to a homeless shelter offering to prepare returns for free. The homeless taxpayers did not receive their refunds because the preparer diverted them to his account.

The National Taxpayer Advocate believes that the IRS has the legal authority to issue refunds to taxpayers who have shown they have been victimized by their return preparers. This is purely a policy call. IRS leadership has refused to decide whether it wants to assist taxpayers who, through no fault of their own, have been defrauded by preparers and are in dire need of their refunds. The National Taxpayer Advocate continues to press for resolution of the matter with the Acting Commissioner.

#### N. TAS Uses TAOs in Collection Cases

Levy issues are the fourth most significant source of economic burden cases received in TAS through March 2013.<sup>57</sup> If the IRS does not act quickly in these cases, the taxpayer may experience even more financial harm. TAS issued ten TAOs to obtain the return of levy proceeds for taxpayers experiencing economic burden. The IRS complied with nine of these TAOs, involving cases where it had:

- Violated an automatic stay imposed by a bankruptcy filing and Counsel had directed the operating division to return the levied proceeds;
- Issued the levy prematurely as the taxpayer was waiting for approval of an installment agreement;
- Levied, but the taxpayer never received notice due to an administrative error;
- Erroneously directed taxpayers to TAS to obtain the return of levy proceeds rather than taking the actions itself;
- Issued the levy prematurely without performing a financial review for possible Currently Not Collectible (CNC) status;
- Issued the levy without offering an installment agreement under the “Fresh Start Initiative” or a hearing under the Collection Appeal Program; and
- Levied an entire retirement fund (sole source of income) and placed taxpayer in CNC status the same day.

Taxpayers faced hardships when the IRS:

- Issued a levy while the taxpayer was in bankruptcy, preventing payment of a mortgage and other living expenses, with the taxpayer unable to borrow any funds.

57 Data obtained from TAMIS (Apr. 1, 2013).

- Levied the account of a taxpayer on Social Security with health problems. The taxpayer could not pay rent, lost housing, and ended up sleeping in a car.
- Levied a taxpayer on Social Security. Even though the taxpayer established the levy was causing an economic hardship, the revenue officer required the taxpayer to file delinquent returns before releasing the levy. This action is in violation of IRM 5.11.2.2.1.4, which states “Caution: When the Service determines that the levy is creating an economic hardship, do not refuse, delay or understate the release amount as a means to secure other compliance, *e.g.*, missing tax returns.”

## 0. TAOs in Appeals

In some instances, the IRS Office of Appeals tries to limit TAS’s actions on the taxpayer’s behalf under the guise of prohibited “*ex parte* communication,”<sup>58</sup> suggesting that TAOs may violate Appeals’ independence or exceed the National Taxpayer Advocate’s authority. TAS cases involving Appeals continue to reflect Appeals’ misunderstanding of TAS’s statutory authority to advocate for taxpayers. TAS has sent TAOs to Appeals on a variety of issues. The following are typical responses, regardless of the issues in the TAO:

- “This case is in Appeals jurisdiction and the case decision lies in Appeals. The summary [redacted] constitutes an *ex parte* issue...We base our decisions in a fair and impartial manner and our independence is key to our Mission. “
- “Appeals is required by statute to independently and impartially consider the issue on appeal and render a decision based upon law, regulations, policies and procedures. TAS’s desire for an expeditious answer or ‘bona fide completion date’ may conflict with both our independence and mission of resolving tax controversies in a manner that is fair and impartial.”
- “First, it is important to reiterate that in several Reports to Congress, the National Taxpayer Advocate indicated various issues regarding the independence of Appeals as being among the most serious problems facing taxpayers. As stated in the NTA’s 2010 Report to Congress, since the inception of Appeals in 1927, ‘The independent nature of Appeals was not only organizational in its separation from the other operating divisions. Appeals was also to have decisional independence, which means the individuals hearing the appeals were to be insulated from attempts by others to influence the outcomes of their individual cases.’ Congress codified Appeals’ independence with the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98).”

The third bullet, containing the quote from the National Taxpayer Advocate’s Annual Report to Congress, has become a standard reply and is taken out of context, as it refers to Appeals’ interaction with compliance functions of the IRS. Appeals’ TAO responses do not demonstrate a clear understanding of *ex parte* communication, because TAS does not

58 See Rev. Proc. 2012-18, 2012-10 I.R.B. 455. An “*ex parte* communication” is a communication that takes place between any Appeals employee and employees of other IRS functions without the taxpayer (or representative) being given an opportunity to participate in the communication.



violate the rules when acting at the taxpayer's request. The Department of Treasury and the Internal Revenue Service clarified this issue when it issued guidance in 2012 indicating that communications between TAS and Appeals employees are not prohibited.<sup>59</sup> In this regard, section 2.07 of Revenue Procedure 2012-18 provides clear guidance concerning ex parte communications and interaction between TAS and Appeals:

Taxpayer Advocate Service. Communications with Appeals that are initiated by the Taxpayer Advocate Service (TAS) are permissible. It is presumed that the TAS employees are acting at the request and with the consent of the taxpayer. Due to the nature of their role within the IRS and their relationship with the taxpayer, TAS employees may discuss with Appeals the strengths and weaknesses of the parties' respective positions and may advocate for a particular result in the case.

Thus, the TAO responses TAS has received from Appeals reflect that Appeals employees do not understand the guidance in Revenue Procedure 2012-18 and do not understand that TAOs can be used, in essence, to order Appeals to respect the role that TAS plays in advocating for taxpayers. In this regard, the section 7811 regulation authorizes the National Taxpayer Advocate to issue a Taxpayer Assistance Order "to any office, operating division, or function of the IRS."<sup>60</sup> It makes no exception for Appeals. Further, the IRM clearly states, "TAS employees may discuss with Appeals the strengths and weaknesses of the parties' respective positions and may advocate for a particular result."<sup>61</sup> Provisions in the Service Level Agreement between the National Taxpayer Advocate and the Chief, Appeals specify how these interactions are to proceed.<sup>62</sup> In FY 2013, through April, TAS issued nine TAOs to the Appeals function. Appeals' responses to five of the TAOs referenced "*ex parte* communication." The National Taxpayer Advocate will address this issue with the Chief, Appeals.

## P. TAOs to Examination Functions

TAS issued 21 TAOs to examination units for a variety of issues, including return preparer misconduct, audit reconsiderations, and problems with the adoption tax credit. While there were no apparent trends, we note that a successful TAO led to a systemic solution to an adoption credit issue.<sup>63</sup> TAS found that based on poorly-worded instructions to Form 8839, *Qualified Adoption Expenses*, and a similarly worded IRM section,<sup>64</sup> IRS units examining adoption credit expenses improperly pro-rated the credit when the adoptions were finalized

<sup>59</sup> Rev. Proc. 2012-18, 2012-10 I.R.B. 455.

<sup>60</sup> Treas. Reg. § 301.7811-1(d).

<sup>61</sup> IRM 8.1.10.1.1.3(1), Taxpayer Advocate Service (TAS) (June 21, 2012)

<sup>62</sup> Service Level Agreement between the National Taxpayer Advocate and the National Chief, Appeals (Sept. 1, 2005), *available at* <http://www.irs.gov/pub/foia/ig/tas/sla-tas-appeals-0905-06.pdf>.

<sup>63</sup> TAS had 264 adoption credit cases in FY 2013 thru Apr. 2, 2013. A sample review of 100 cases showed the taxpayers came to TAS due to delays in receiving the credit. Once TAS sent an OAR, the IRS promptly worked the cases and released the refunds. TAS issued TAOs in only two cases.

<sup>64</sup> IRM 21.6.3.4.2.15: The eligible child must be: Any child under age 18 during the year, the child is an eligible child for the part of the year he/she was under age 18.

and the child subsequently turned 18 in the same year. Through the TAO process, specific taxpayers received the full credit to which they were entitled and the IRS halted the incorrect action for all taxpayers.

## Q. TAOs Where IRS Actions Caused Undue Taxpayer Burden

TAS issued TAOs in some cases where the IRS’s actions or lack of action caused undue hardship or unnecessary burden for taxpayers. In several instances, as noted in the cases described below, the taxpayer tried to resolve the problem before contacting TAS. After TAS contacted the IRS, the IRS still refused to take corrective action. IRS processes, human error, or disregard for the taxpayer required a TAO to resolve the problem or obtain relief, and further validated the importance of the TAO as a strong advocacy tool.

- The taxpayer filed an amended return claiming the Earned Income Tax Credit. TAS found the IRS had attempted to process the return five times, always performing the same actions but expecting a different outcome. After a year, the IRS had not identified the cause of the problem. TAS promptly found the IRS was processing the return under a revoked Individual Taxpayer Identification Number rather than the valid Social Security number, ignoring warnings in two IRM sections about merging these accounts before revoking the ITIN.

Despite TAS advice on how to fix the problem, the IRS input erroneous adjustments, causing a sixth delay. TAS responded with a TAO to direct that the refund be issued immediately. The IRS refused, citing the “dead cycles,” a period when IRS systems are generally unavailable while updating for filing season changes, although manual refunds can be issued during this time. The IRS did not follow procedures to respond to the TAO, but released the refund after further discussion.

- A return filed early in the filing season was delayed by an IRS programming problem for repayment of the First-Time Homebuyer Credit. The taxpayers had multiple hardships, including one spouse’s reduced income due to salary cuts. TAS issued an OAR, providing the IRS with its own guidance on how to correct the problem, but the IRS still would not issue a refund. TAS issued a TAO directing an immediate refund due to taxpayers’ hardships, using a workaround while the IRS fixed the programming error. The IRS appealed the TAO despite the existence of internal guidance on how to proceed. After the TAO was elevated to the next managerial level, the IRS issued a manual refund under its own guidance.
- The taxpayer fell behind on employment taxes after an employee’s embezzlement started a cycle of IRS levies, causing the taxpayer’s payroll checks to bounce, followed by substantial bank fees and representation costs of thousands of dollars. TAS properly notified the Collection function to hold collection action to allow TAS to determine the best course of action for the taxpayer and gather documents for the collection officer. Collection refused to place a hold on the account as required, ignoring the taxpayer’s financial situation. Collection management also did not follow the process

for open discussion with the LTA to reach agreement on the matter, circumventing the taxpayer's right to TAS assistance.

The LTA issued a TAO to the next level of management, while TAS secured current financial information and developed a proposal for a reasonable installment agreement that the taxpayer could meet, and keep current on his employment tax deposits. Collection immediately complied with the TAO to properly allow TAS the opportunity to work with the taxpayer.

- The taxpayer experienced a financial hardship and could not pay rent and other bills. The IRS held the refund pending verification of business income and expenses. TAS requested verification of the expenses from the taxpayer and sent an OAR to assign the return for action. The IRS acknowledged receipt, but then requested more time without regard for the taxpayer's hardship. The IRS released the refund while the examination was pending. The taxpayer provided TAS and the IRS with a complete accounting of income and expenses, but the IRS said there was a discrepancy. When TAS disagreed, the examiner's response was that since the taxpayer had no bank account, the records may have been created for the exam and were not contemporaneous, despite detailed sales records and dated receipts for expenses. The IRS requested additional documents, but TAS believed the taxpayer had already met her burden of proof. After the IRS repeatedly refused to allow the business deductions, TAS issued a TAO directing the IRS to accept the taxpayer's return as filed, because she provided adequate records. The IRS complied.
- The IRS assessed a trust fund recovery penalty (TFRP) in violation of bankruptcy law, a mistake that cost the taxpayer a large refund, as well as creating undue burden and additional expense for professional help to resolve the problem. TAS issued a TAO to process a claim for refund and abate the assessment. The function complied.
- IRS records indicated the taxpayer was deceased, when clearly this was not correct, as the taxpayer came to TAS for assistance. TAS tried numerous times through the OAR process to have the IRS remove the date of death indicator from the account, and eventually issued a TAO to process the return, which the IRS did.

In FY 2014, TAS will update IRM 13.1.20, *Taxpayer Assistance Orders*, to strengthen the TAO process by mandating the involvement of TAS Area Directors with all TAOs and formalizing the involvement of TAS Attorney-Advisors when the IRS appeals a TAO.

TAS is working to improve Form 9102, *Taxpayer Assistance Order*, to ensure that the TAO process is seamless to the taxpayer and progresses swiftly to alleviate hardships. In FY 2014, the National Taxpayer Advocate will provide training to all TAS employees about the revised TAO process. The leadership of TAS's Case Advocacy function will continue to host TAO Cafes and other discussions with LTAs to ensure that they issue TAOs timely in appropriate cases. TAS will also develop template TAOs for specific scenarios that commonly arise in casework.

## R. TAS Case Reviews Strengthen TAO Advocacy

TAS advocacy case reviews are a management tool that ensures cases are progressing in accordance with taxpayer needs. These reviews are conducted by managers and other assigned technical reviewers at various stages of the case progression. Some factors considered during the reviews include whether the Case Advocates handling the cases are:

- Using Technical Advisors to help develop the facts and law on complex legal issues;
- Requesting Counsel opinions on complex legal questions;
- Using Lead Case Advocates' skills to develop cases timely; and
- Verifying that managerial reviews are timely and facilitate case resolution.<sup>65</sup>

The reviews also look at whether the Case Advocate thoroughly analyzed the case to identify the underlying source of the problem and developed, used, and adapted meaningful action plans to account for nuances in the taxpayer's case and expeditiously resolve the taxpayer's issues in the most favorable manner within the law. Following the review, TAS leadership holds a comprehensive discussion with the LTAs and other staff to share the findings, discuss the rationale for actions, and provide specific case direction.

During FY 2014, TAS will:

- Continue to hold formal and informal discussions during operational reviews, advocacy reviews, and leadership calls with LTAs on the appropriate use of the TAO in advocating for taxpayers. The LTAs will encourage the TAO as an effective tool.
- Promote the involvement of technical advisors in the development of case issues leading to TAO recommendations.
- Strengthen internal controls when a technical advisor manager recommends a TAO be considered, by allowing the manager to follow up to determine if appropriate action was taken.
- Continue advocacy reviews to assess whether the use of the TAO may be appropriate, and update training and procedures based upon the findings.

## S. TAS Improves Communication with the IRS through the Operations Assistance Request Process

To serve taxpayers more efficiently, the Commissioner delegated to the National Taxpayer Advocate certain tax administration authorities that do not conflict with or undermine TAS's unique statutory mission of advocating for taxpayers, but allow TAS to take many actions to resolve routine problems. When TAS lacks the statutory or delegated authority to directly resolve a taxpayer's problem, TAS works with the responsible IRS operating division (OD) or function to resolve the issue, a process necessary in 66 percent of all TAS

<sup>65</sup> See Areas of Focus, *The TAS Collection Case Review Yielded Insight on How TAS Can Improve Advocacy in Collection Cases*, *supra*.

cases closed in FY 2012 and 68 percent through March of FY 2013.<sup>66</sup> After independently reviewing the facts and circumstances of the case and communicating with the taxpayer, TAS uses Form 12412, *Operations Assistance Request*, to transmit documentation to the IRS and convey a recommendation or requested action to resolve the issue. The OAR also serves as an advocacy tool by:

- Giving the IRS a second chance to review the issue;
- Opening discussions between TAS and the IRS in an effort to resolve the issue without having to elevate it; and
- Documenting trends that could lead to improvements in IRS processes.

Each IRS function has agreed to work TAS cases with priority and to expedite the process for taxpayers whose circumstances warrant immediate handling. These Service Level Agreements require the ODs and functions to direct resources to process OARs and alert them to the number of taxpayers who seek TAS assistance because they have not been able to resolve their problems through regular IRS channels.

TAS generally sends an OAR on each case it sends to the IRS. In the 2013 filing season, however, TAS and W&I took a streamlined approach that required just one OAR and one day to resolve almost 850 cases stemming from a programming error in Form 8863, *Education Credits (American Opportunity and Lifetime Learning Credits)*.<sup>67</sup>

Additionally, in FY 2013, TAS and the IRS made strides in implementing several recommendations from a joint study of the OAR process.<sup>68</sup> The primary focus of this study included:

- Simplifying and automating OAR routing;
- Improving timeliness and reducing cycle time;
- Setting joint goals and process monitoring; and
- Leveraging workflow technology for TAS's integrated system of the future.

The recommendations being implemented in FY 2013 include:

- Using aggressive, informed Requested Completion Dates (RCDs) for frequently worked OAR issue codes. This improves timeliness and reduces cycle time, speeding up resolutions for taxpayers facing hardships.

66 In FY 2012, TAS closed 152,653 cases requiring an OAR. During the first six months of FY 2013, TAS closed 68,956 cases with OARs. Data obtained from TAMIS (Apr. 1, 2013).

67 Data obtained from TAMIS. TAS identified 844 cases using a specific data collection instrument (DCI) to identify those taxpayers experiencing an extreme significant economic hardship. See *Filing Season Review*, *supra*.

68 MITRE Report, *Case Advocacy Review Phase 2: Operations Assistance Request Process Review – Exploring Future State Opportunities in the Operation Assistance Request Process* (Mar. 10, 2011).

- Developing a high-level measure related to the use of consistent OAR document requirements.
- Aligning TAS area offices to IRS campuses based on certain OAR issues, to simplify routing and resolve problems more efficiently.

These steps will help TAS achieve its long-term goal of resolving taxpayer problems accurately and timely and meet its FY 2013 goal for reducing OAR rejects.<sup>69</sup>

In FY 2014, TAS will implement additional recommendations from this study related to workflow technology in the Taxpayer Advocate Service Integrated System (TASIS, discussed below). This technology will improve performance by standardizing processes and increasing electronic collaboration. TASIS will offer the following capabilities:

- Include workflow technology to improve the OAR process.
- Integrate Case Advocate desktop access with high-use IRS systems.
- Provide the ability to copy a manager, in both an operating division and TAS, on OARs that may require escalation.
- Capture all process events, including the dates documents were requested and received for every OAR.
- Use the “Linked OAR” concept that enables TAS to forward multiple, connected OARs for certain account corrections. A linked OAR requires multiple actions to be taken in a specific order by more than one IRS function, instead of requiring TAS to generate and track separate OARs for each processing step.
- Automate the routing decision.
- Recommend an RCD based on expedite status, current OAR volumes, filing season workloads, and typical timeframes required to work similar OARs (as well as providing the ability to override the RCD).<sup>70</sup>

69 OAR reject rate is the percent of rejected requests for action to be taken by the IRS. The corporate OAR reject goal for TAS in FY 2013 is 3.6 percent.

70 MITRE Report, *Case Advocacy Review Phase 2: Operations Assistance Request Process Review – Exploring Future State Opportunities in the Operation Assistance Request Process* vi-vii (Mar. 10, 2011).

## VI. SYSTEMIC ADVOCACY

### A. Tracking Recommendations Made in the National Taxpayer Advocate's Annual Reports to Congress

Each year, the National Taxpayer Advocate puts forth numerous recommendations in the Annual Report to Congress to improve tax administration for taxpayers and the IRS. These recommendations play an important role in TAS's efforts to resolve systemic problems. Our work in these areas does not end when we publish the Annual Report. In addition to TAS's ongoing advocacy efforts, SA tracks TAS's recommendations and the IRS's subsequent actions, and for each Annual Report develops a "report card" of recommendations and responses. These report cards are an effective means of measuring and monitoring TAS's ability to effect change. Figure 1 details the status of the National Taxpayer Advocate's Annual Report recommendations over the past six years.

**FIGURE 1, ANNUAL REPORT TO CONGRESS RECOMMENDATIONS AND ACCEPTANCE RATE**

ARC Recommendations <sup>1</sup>	2007	2008	2009	2010	2011	2012 <sup>2</sup>
Total Number of Recommendations Made to the IRS	205	67	92	92	120	134
Number of Recommendations Accepted or Acted Upon by IRS	123	36	56	47	60	TBD
Percentage of Recommendations Accepted or Acted Upon by IRS	60%	54%	61%	51%	50%	TBD

Because TAS's recommendations sometimes require the IRS to change its approach to issues, processes, or procedures, IRS acceptance may take time. Over time, the IRS may change its initial position or Congress may act to force the IRS to adopt a recommendation. For example, the IRS initiated changes to return preparer regulation, cancellation of debt, identity theft, and many other policies several years after TAS made recommendations specific to these areas.

After TAS publishes the Annual Report to Congress, the National Taxpayer Advocate submits a memorandum to the Commissioner of Internal Revenue, transmitting the formal recommendations. This memorandum triggers the statutory requirement that the Commissioner respond within 90 days.<sup>3</sup> Systemic Advocacy develops and issues a quarterly open recommendations report that allows the National Taxpayer Advocate and Executive Director, SA to monitor outstanding Annual Report to Congress recommendations and seek resolution with IRS executives. The first such report was issued November 30, 2012 to TAS

1 Data reported on a calendar-year basis. 2007, 2008, and 2011 each have one congressional recommendation, 2010 has two, and 2012 has nine congressional recommendations that are not included in the total number of recommendations to the IRS.

2 The number of 2012 recommendations accepted or acted on by the IRS and the percentage of recommendations accepted are not yet available. The 2012 recommendations were formally transmitted to the IRS February 14, 2013. TAS is negotiating with IRS on which responses constitute acceptance.

3 IRC § 7803(c)(3).



leadership as well as the operating divisions’ leadership. Since SA moved to SharePoint and began issuing this report, 32 recommendations have been closed or updated.

## B. Systemic Advocacy Piloting New Measures

The National Taxpayer Advocate approved a new set of systemic measures for FY 2013, replacing older ones that focused more narrowly on the quality scores of Advocacy Projects. TAS uses a variety of approaches to address systemic issues, and these new measures and indicators more broadly reflect this range of advocacy activities.

These new measures include:

- *Annual Report to Congress Most Serious Problem (MSP) Recommendations Accepted by IRS* – This measure tracks the percentage of total Annual Report to Congress recommendations accepted by the IRS each year in the Annual Report to Congress.
- *Annual Report to Congress Legislative Recommendations acted on by Congress within a four-year period* – Here TAS measures the outcome of the National Taxpayer Advocate’s Legislative Recommendations in the Annual Report to Congress. Significant Congressional action on the Legislative Recommendations may include enacting a law, introducing legislation, holding hearings or even sending correspondence to the Secretary of the Treasury or the Commissioner.
- *Internal Management Documents/Single Point of Contact (IMD/SPOC)<sup>4</sup> Recommendations Accepted* – This measure tracks the acceptance by the IRS of TAS’s recommendations to change procedural instructions to staff and TAS recommendations to improve products used by taxpayers (*e.g.*, tax forms, IRS publications, notices and so forth).
- *Accuracy of Closed Advocacy Projects* – This measure tells how well TAS is working its projects. It is a composite of many elements, including technical competence in identifying the systemic issue and the proposed remedy, timely actions, and taxpayer communications.
- *Satisfaction of Systemic Advocacy Management System (SAMS) Users* – This measure is based on a survey of people that have submitted a potential systemic issue using SAMS. The survey measures items the SAMS ease of use, easy to follow instructions and overall satisfaction.

Systemic Advocacy is tracking these new measures during FY 2013, and where needed, developing the reporting structure for capturing the data. TAS will assess whether the measures are meeting the goal of providing a view of the effectiveness of TAS’s systemic

<sup>4</sup> Internal Management Documents (IMDs) are “the official communications that designate authorities and disseminate [guidance] to officials and employees that constitute ‘instructions to staff.’” See IRM 1.11.1.1, *Categories of Documents*, for specific types of IMD documents. The Tax Administration Council approved the creation of a Single Point of Contact (SPOC) in the Operating Divisions (ODs) and TAS. The SPOC works internally with TAS.



advocacy efforts, and will modify them if needed. FY 2013 will serve as a baseline year for the new measures, and TAS will set targets for improvement in FY 2014.

### C. TAS Provides Oversight and Support for the Taxpayer Advocacy Panel Program

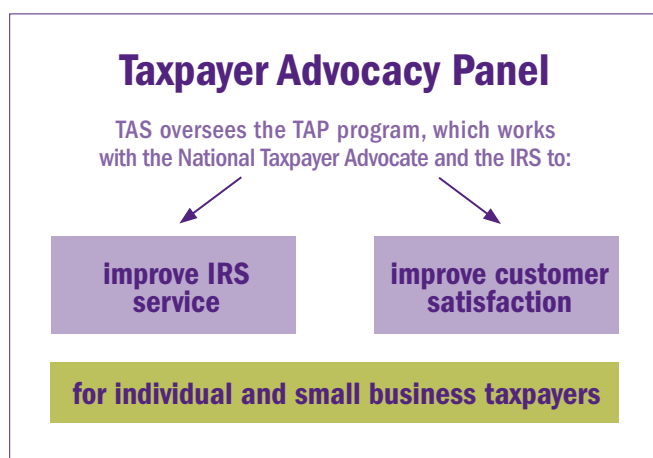
The Taxpayer Advocacy Panel (TAP) is a Federal Advisory Committee established by the Department of the Treasury to provide a taxpayer perspective on improving the IRS.<sup>5</sup> The TAP focuses primarily on issues that fall within the jurisdiction of the Wage and Investment and Small Business/Self Employed operating divisions. TAS supports the TAP program, which works with the National Taxpayer Advocate and the IRS to improve IRS service and customer satisfaction for individual and small business taxpayers.

The TAP organization, which previously reported directly to the National Taxpayer Advocate, began reporting to the TAS Executive Director of Systemic Advocacy in FY 2012. This realignment and additional refinements of procedures in FY 2013 resulted in better support of the TAP program by creating more opportunities for Systemic Advocacy's involvement in addressing issues identified

and elevated by TAP members. Each TAP project committee benefits from the additional support available from Systemic Advocacy analysts serving as subject matter experts and assisting with research and data builds. The TAP staff also collaborates with Systemic Advocacy to evaluate issues better, perform detailed research and data building, and work on "hot" issues as they arise.

The TAP and Systemic Advocacy staff identified several activities to complete in the coming year to solidify the TAP restructuring and to support the TAP program, TAS Strategic Goals and Operational Priorities. These include TAP staff:

- Working with TAP leadership, TAS, and the IRS Office of Chief Counsel to create bylaws for administration of the TAP program;
- Preparing an Internal Revenue Manual section describing the various operating procedures of the TAP;



<sup>5</sup> The Federal Advisory Committee Act (FACA) (5 U.S.C. Appendix) prescribes standards for establishing advisory committees when those committees will furnish advice, ideas, and opinions to the federal government. See also 41 C.F.R. Part 102-3.

- Revising the TAP charter, up for renewal in March 2014, to address the changes and refocus in the TAP program; and
- Establishing performance measures for the TAP program based on its charter and mission.

Through these actions, the TAP staff will support the TAP in its objective to provide a taxpayer’s perspective to improving IRS customer service and satisfaction.

In response to requests from U.S. citizens living abroad, and to gain a better understanding of the issues facing international taxpayers, TAS is recruiting at least one member to represent international taxpayers. For these purposes, “international taxpayers” are broadly defined to include U.S. citizens working, living, or doing business abroad or in a U.S. territory. The new international member will not be required to attend any face-to-face meetings and will not be reimbursed for such expenditures if he or she chooses to attend. The international member will join the panel in December 2013, along with approximately 25 other new TAP members selected to replace approximately one-third of the members retiring after completing their three-year terms.

## VII

## Integrated TAS Technology

**A. TAS Is Striving to Bring its Systems into the 21st Century**

TAS's current systems have not kept pace with rapid innovations in technology and the explosion of online interaction capabilities for TAS employees and their customers. This lack of modernization leaves TAS employees with strict limitations on electronic avenues in which to communicate and collaborate with other IRS employees and taxpayers. The linking of all TAS applications within a single integrated system has been a part of TAS's plans for over a decade. Now, advancing technology and the obsolescence of TAS's primary system for tracking cases make this integration essential. The Taxpayer Advocate Service Integrated System (TASIS) is the prescribed solution. It will be the most significant technical innovation in the 30-year history of TAS and its predecessor, the Problem Resolution Program.

Further evidence of the need for innovation is that current TAS and IRS systems were designed and developed in a stand-alone fashion, sharing little if any information electronically. TAS employees must:

- Access and retrieve data from numerous TAS and IRS applications, resulting in repetitive key strokes, analysis, and documentation.
- Manually cut and paste or re-type information from one system to another.

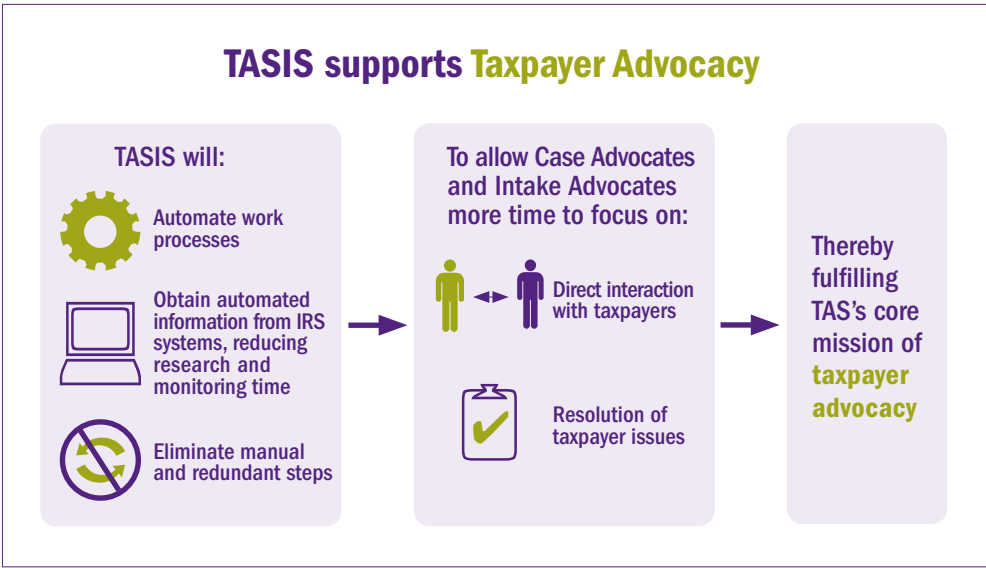
This requires additional time and resources while increasing both the risk of inaccuracies and the time spent to resolve cases. TASIS will integrate the stand-alone systems into one and automate the exchange of information with other IRS systems. TAS and IRS leaders enthusiastically supported the TASIS concept and championed the project, which received initial funding in 2010.

**B. TASIS Will Incorporate Modern Technological Advances That Will Provide Significant Benefits to Taxpayers, Employees, and Partners in Tax Administration**

*TASIS will automate work processes, eliminate manual and redundant steps, and allow TAS employees to spend more time on their core mission of advocating for taxpayers.* TASIS will allow employees to obtain automated information from IRS systems, sparing laborious hours of researching, updating, and monitoring taxpayer accounts and records. This will free Case Advocates and Intake Advocates to focus on direct interaction with taxpayers and resolution of taxpayer issues, increasing employee engagement while satisfying customers.

*TASIS will support interaction between TAS employees and external customers via email, text, and fax.* TAS will ensure these interactions operate within guidelines that place the highest priority on the security of taxpayer data.

*TASIS will both improve and provide new avenues for the process of seeking assistance from TAS. Taxpayers will still have the current options of contacting TAS by phone, correspondence, and walk-in, with the added choice of seeking help via the Internet for the growing number who prefer to conduct business electronically. This option will allow for an initial interaction through a series of prompts that will help taxpayers identify issues, find options for self-help when appropriate, access IRS contact information, and request TAS assistance.*



*TASIS will support electronic collaboration between TAS employees and IRS operating divisions. The system will include a secure area for the operating divisions to electronically receive and respond to Operations Assistance Requests from TAS. This will reduce the need to mail or fax such requests and provide an automated history of case interactions.*

**C. TASIS Will Improve and Streamline the Acceptance and Assignment of Work**

Taxpayers who seek help by phone or online will communicate directly with a TAS Intake Advocate, as opposed to the current paper referral and subsequent callback. Intake Advocates will conduct a comprehensive interview with the taxpayer to identify underlying issues, share options for resolution, describe what to expect from TAS, build the case, and in some instances resolve the issue while talking to the taxpayer. TASIS will provide Intake Advocates with tools to conduct research, document the contact, and efficiently build the case during these initial interviews.

After this initial process, TASIS will quickly match the taxpayer with a Case Advocate based on where the taxpayer lives (predominantly matching taxpayers with advocates in their home states), and the availability, skill, and workload of the employee. The raw

number of cases in the advocate's current inventory will no longer determine assignments. Instead, new assignments will consider complexity and the time and steps needed to resolve similar issues. TASIS will replace the existing manual assignment process that often involves interoffice transfers of cases and causes delays.

#### **D. TASIS Will Improve Online Document Collaboration and Storage**

In recommending an integrated design, systems analysts emphasized electronic document management, *i.e.*, storage within the system for case files, communications, and research findings. This capability is needed because paper records pose efficiency and reliability problems, including time-consuming file retrieval, opportunity for loss, and limited ability to share information between offices.

Reliance on paper files and documents requires storage and handling of 50 to 60 documents for each TAS case, or approximately 12.5 million documents each year. This includes hard copies as well as records kept on employees' local hard drives. TAS incurs repeated copying and shipping costs for transfers, work reviews, and collaboration. The use of virtual documents will almost eliminate paper document-handling and storage, allow immediate access for collaboration, and improve TAS's ability to reference the products or conduct research.

Moving toward a paperless environment, TASIS will offer document collaboration tools to gather and track edits, reviews, and approvals from remotely located users. It will also manage supporting documentation and reference materials associated with documents and offer access to earlier reports and research. Finally, TASIS will provide tools to map project delivery documents so participants and oversight users can see upcoming deadlines, assignments, and progress on the delivery of a finished product. Document collaboration and a centralized document repository will make content searchable and improve its usefulness.

#### **E. IRS Information Technology Recommends Entellitrak for the Base of the TASIS Platform**

In FY 2011 and 2012, TAS took the first step toward an integrated system by collaborating with the IRS's Information Technology (IT) organization to successfully document over 4,400 system requirements for TASIS (*i.e.*, statements that explain the desired functionality of the system). The requirements reflect the future state of how TAS will operate with the creation of TASIS.

IT extensively analyzed the most efficient way to build the foundation of TASIS to ensure the integrated system will meet TAS's needs. This analysis resulted in the recommendation to utilize MicroPact's commercial off the shelf (COTS) product, Entellitrak, rather than building the application from scratch or using another existing platform. The recommendation is based on the finding that Entellitrak will cost less and take less time

than these other options. Entellitrak is a data tracking and management platform that appears to have the capability to extend its out-of-the-box functionality to incorporate and meet all of TAS’s requested requirements. Entellitrak can be configured continuously throughout the design, development, and maintenance phases by adjusting model workflows and business processes without requiring additional programming.

## F. TAS and IT Agree Upon TESIS Release One Content and Delivery Expectations

IT plans to release TESIS in several phases until the entire application is fully deployed, and collaborated and agreed with TAS on the content to be delivered in release one. The current deployment schedule projects this first release for the second quarter of FY 2014. As of this publication, IT has submitted a proposed new release date for review and approval that will move deployment into the early part of the third quarter of FY 2014.<sup>1</sup> It will include approximately 40 percent of requested system requirements, focusing on Case Advocacy and including an intake process, partial automation of workload distribution, and support of virtual case resolution and storage.

Of the requirements highlighted and described above, the first release will contain the following:

- Intake Advocates will be able to conduct a comprehensive interview with the taxpayer. They will have the tools to perform research, document the contact, and efficiently build the case during these initial interviews.
- Once the case is built, TESIS will quickly match the taxpayer with a TAS office based on where the taxpayer lives. A manager will then manually assign the case based on availability, skill, and workload of the Case Advocate, all of which TESIS will provide. The full automation of workload routing and case assignment will be delivered in later releases.
- The system will have the ability to store electronic documents, *i.e.*, storage within the system for case files, communications, and research findings.
- The system will support electronic collaboration between TAS employees and IRS operating divisions.

## G. TAS and IT Establish Separate TESIS Project/Program Management Office (PMO) to Ensure a Smooth and Complete Deployment

An immense amount of preparation is necessary for the successful deployment of TESIS. TAS and IT have very distinct activities involving the development, design, and the implementation of TESIS that must be completed prior to deployment of release one and future

<sup>1</sup> The expected change to delivery date is based on several factors, *i.e.*, change in architecture design, power shutdown and related issues, and sequestration.

releases. In the first quarter of FY 2013, IT ramped up resources and development activities, and established an IT TESIS Project Management Office (PMO). The IT PMO coordinates project activities through the TAS Business System Planning (BSP) office, IT partners, and outside contractors to handle the technological breadth and scope of the project.

Since then, TAS has established its own PMO to oversee the planning, internal management, and oversight of the project within our respective functions, as well as with internal and external customers impacted by the changes expected with the first release. This group will oversee the evolution of TAS business processes and prepare staff for the impact of all TESIS releases and the decommissioning of the Taxpayer Advocate Management Information System (TAMIS) in release one. The group is identifying, coordinating, and executing the changes required to business processes and procedures to leverage the new tool capabilities and to ensure continuity of operations. The group is also charged with creating a learning environment to guide and support employees prior to, during, and after the transition to TESIS, including an environment that will equip employees with the knowledge, tools, and skills needed to perform successfully in TESIS. Most importantly, once employees can use the full range of TESIS functionality, they will be able to put more of their energy and focus into our core mission of advocacy as the new system automates work processes and eliminates time-consuming manual or redundant steps. The TAS PMO will create and support the model developed for incremental releases until full deployment of TESIS.

## H. TESIS Functionality Will Change TAS Case Processing Procedures

To prepare for the rollout of TESIS, TAS must review and revise at least 40 IRM sections. Some may only require minor changes, but most require extensive edits and additions. TAS case processing IRMs contain procedures for the following “phases” of casework:

- Receiving and adding cases to TAMIS;
- Assigning cases;
- Transferring cases;
- Taking initial actions and making initial contacts with taxpayers and representatives;
- Making subsequent contacts with taxpayers;
- Communicating case information and progress to taxpayers;
- Documenting case actions on TAMIS;
- Referring cases to technical advisors *i.e.*, attorney advisors, management, or even the NTA for technical advice;
- Obtaining case direction from technical advisors;
- Submitting Operations Assistance Requests to other IRS units, including expectations for following up on those requests and elevating disagreements over recommended actions;

- Issuing Taxpayer Assistance Orders to the IRS, and the TAO appeal process; and
- Closing cases, including requirements for the content of closing contacts with taxpayers, and documents to be kept in the case file.

TASIS will impact all of these procedures. While some policies and expectations will remain the same, enhanced capabilities under TASIS will eliminate or simplify certain manual tasks or actions and will require some new policies and procedures. Additionally, TASIS will enable IRS operating divisions to record responses to OARs and TAOs, eliminating the need for TAS employees to manually enter information from OAR paperwork and TAO responses into the system. Guidance regarding the transmission and elevation of OARs and TAOs will require modification to reflect how TAS and the IRS will record interactions. IRS access to TASIS for purposes of responding to OARs and TAOs creates the need for TAS to not only renegotiate our Service Level Agreements (SLAs) with the operating divisions, but to develop and provide training for employees who will have access to TASIS.<sup>2</sup>

With 40 IRM sections impacted by TASIS, the IRM review process will take months to complete because each IRM will undergo a rigorous review that includes solicitation of reactions and suggestions from TAS employees, TAS leadership, and other stakeholders (including the operating divisions). Training for TASIS, therefore, must include training on IRM changes.

## I. TAS Employee and Leadership Participation Ensures Product Satisfaction

TAS has played a very active role in the design and development of TASIS. Both TAS leaders and frontline employees have a voice on the design and functions of the system. TAS established 21 teams to include over 170 TAS Subject Matter Experts (SMEs) who actively participated in all aspects of the TASIS build cycles. Early in the infancy phase of TASIS, all TAS employees were afforded the opportunity to submit their design and business process improvement ideas for consideration. TASIS project leaders assessed all such ideas and made them part of the requirements where feasible. TAS also held routine meetings over the past three years to gain executive strategic input on improving daily operations and program effectiveness, so the system is developed to the satisfaction of all functions within TAS. As the primary user, TAS continues to take a very hands-on approach in the design process to ensure that

- The system meets our needs;
- Is user-friendly and intuitive; and
- Incorporates some of the most appealing user interface options that other modern applications offer.

<sup>2</sup> TAS established Service Level Agreements with each IRS operating division and function to outline the procedures and responsibilities for processing TAS casework when the authority to complete case transactions rests outside of TAS.



The National Taxpayer Advocate hosts town hall meetings across the country with TAS employees to spread the word of the impact TESIS will have on their daily lives. Her message is that their voices were heard, their suggestions acted upon, and that they have played an essential role in building TESIS. TAS recorded and shared with all employees a town hall in Portland, Oregon where the National Taxpayer Advocate gave a detailed description of exactly how the life of a case advocate would change with the inception of TESIS.<sup>3</sup>

Since the project received funding three years ago, the National Taxpayer Advocate has also hosted five summits with key TAS TESIS team representatives, stakeholders, and senior management. The primary purpose and focus of each summit is to give incremental status updates on TESIS progress and afford all attendees an opportunity to comment on and approve new business processes, functionality, and the look and feel of the system.

The last summit differed from previous summits because attendees also included key project leaders from IT and MicroPact. This opportunity to meet with the IT partners and outline the expectations of TESIS gave IT a clear understanding of the expectations the National Taxpayer Advocate has for TESIS. Portions of the town hall meeting in Portland were also shared to give a better idea of precisely how much TAS employees, IRS employees, and taxpayers would be positively affected by TESIS.

## J. TAS and IT Partners Take Strides Toward Deployment of Release One

In October 2012, many efforts began to materialize for the successful production of Release One. The first substantive step was MicroPact being awarded the contract to use Entellitrak as the foundation for TESIS development. MicroPact, under the management of IT, is using an iterative process to design TESIS along with the cross-coordination of TAS SMEs to ensure all system requirements are delivered as expected.

Release one is being constructed through six build-cycles. Each build-cycle is comprised of MicroPact hosting virtual meetings to interview TAS SMEs to clarify and confirm they have a clear understanding of a pre-determined set of system requirements. Simultaneously, MicroPact configures or builds TESIS using those clarified requirements while a Lockheed Martin contractor works with the SMEs to create use cases. Use cases are documented scenarios created to walk through specific business processes from beginning to end. TAS employees then access TESIS and walk through each use case to test the application to ensure the system meets the requirements to their satisfaction. Each build-cycle takes approximately 35 days. Once a cycle is complete, the project moves on to the next cycle until all are complete.

<sup>3</sup> Audio portions of the Portland town hall meeting are included in a "State of TESIS" video that was sent to all TAS employees.

## K. Future Release Content and Delivery

IT, TAS, and MicroPact began initial discussions in the second quarter of FY 2013 to determine how the remaining 60 percent of system requirements will be distributed and delivered throughout future releases. All agreed that since TAS already provided a prioritized list of TAS processes over a year ago, that the next step is for IT and MP to perform an analysis of the most efficient manner in which to segment the remaining system requirements and provide alternatives where appropriate for TAS consideration. TAS has great concern that although initial discussions began several months ago, IT and MicroPact have not shared any information concerning their analysis since. Future releases rely upon their analysis and recommendations; without either, the project cannot move forward. Future releases will incorporate the ability for taxpayers and their representatives to submit issues and request TAS assistance via the Internet. These releases will include other components of TAS’s advocacy service, allowing employees to identify and refer systemic issues within an open case. Future releases will also allow real-time identification and analysis of systemic problems. TAS and its partners have not determined approximately how long it will take to fully deploy the application and allow TAS employees and customers to reap the rewards of a fully integrated system. Additional meetings for planning future releases must be conducted immediately or there will be a direct impact on IT’s ability to deploy future releases with transparent succession. Failure to include TAS, a highly educated, aware, involved end-user, and customer, in these discussions will guarantee that the system will not meet our needs.

## L. Project Risks

TASIS is a complex system and because it is user-driven, it presents certain challenges, not the least of which is marrying the two cultures of TAS and IT. All critical activities, and their known dependencies, must be tracked and monitored for timely completion. Risks and mitigation strategies are documented and monitored at the earliest stage to maximize the most efficient resolution. Known risks include, but are not limited to:

- IT created a master project plan to outline critical activities that must be met by pre-determined dates for TASIS to deploy in the second quarter of FY 2014. However, the plan does not include all critical activities and dependencies, nor does it consider realistic timeframes to complete those activities. This has resulted in the deployment date slipping several times. Any additional slippage beyond the second quarter of FY 2014 will impact W&I support of the NTA toll-free line and require training both TAS and W&I employees during filing season. If IT does not update the master project plan to include all critical activities and dependencies and assign realistic deadlines for each activity, the deployment date risks additional slippage with direct impact on TAS and W&I.
- Approximately 30 percent of the business requirements are scheduled for completion in the sixth and final build cycle, which is the largest set of requirements planned for

any cycle to date. If MicroPact does not complete those remaining requirements prior to the scheduled end date of build cycle 6, then IT will have to revise the master project plan which may cause another delay in deployment.

- TAS can submit comments on each build cycle in MicroPact's Product Tracking System (PTS), the formal tracking mechanism used to capture TAS concerns and ensure all feedback is resolved to TAS satisfaction. There are 100 to 200 feedback items awaiting disposition by MicroPact and this particular activity is not included in the master project plan to indicate when it will be completed. If MicroPact does not address all feedback to TAS's satisfaction before beginning the official testing process, there is a risk that the agreed-upon requirements will not be delivered in Release One, resulting in significant harm to taxpayers and undermining TASIS' usefulness for TAS employees.
- The MicroPact contract does not provide for the creation and delivery of any training products or services to assist users on accessing, configuring, and navigating TASIS. These essential deliverables that must be secured to effectively train TAS and W&I staffs; however, the services must be opened to the public for bidding since the current contract has reached its funding ceiling. If a new contract is awarded to a vendor that has not been involved with the development of TASIS, the master project plan must be adjusted to incorporate additional time for that vendor to become familiar with the system.

### **M. Fostering Online Collaboration and Business Process Enhancements via SharePoint 2010**

Microsoft SharePoint is a web-based application used on the IRS intranet for content management and document collaboration. The IRS is upgrading to the SharePoint 2010 platform (the latest available). In 2009, TAS identified SP 2010 as a tool to address critical needs in document storage and management, in streamlining collaboration and approval processes, connecting and empowering project teams, reducing and controlling costs, and responding rapidly to business needs.

On a daily basis, TAS employees search through past advocacy documents, job aids, Annual Reports, and other materials for specific information to fulfill advocacy tasks and address Congressionally-mandated objectives. Existing search tools have been ineffective, which often resulted in the employee attempting an extremely inefficient manual search. Now, however, TAS can maximize the capabilities of the new software with predefined key terms called metadata to locate specific information. When a user adds a document to SharePoint, the system asks him or her to select specific terms to classify the data. This allows the search feature to return all matching content eliminating the need for a secondary search.

TAS is positioned to take full advantage of the new features and benefits of SP 2010. By virtue of an extensive knowledge of the software, TAS has already leveraged many new

capabilities such as workflows<sup>4</sup> that automate key business processes and user-defined keywords to find documents faster and more efficiently. This technical leadership has allowed TAS to join with the IRS’s Information Technology organization and chart the best course of action for sharing knowledge, and establishing information management policies and governance, across the IRS.

TAS decided to leverage the new SP 2010 platform to meet critical business needs not being addressed in the early releases of TESIS (discussed above) while simultaneously reducing the future burden on IT. TAS has already implemented several automated workflows that eliminate anywhere from a few to many manual steps from the current business processes they replaced. These workflows allow users to focus on completing more substantive advocacy work while the system keeps up with the actual process.

In addition to the gains in efficiency, the automation also reduces or eliminates human error, increasing the quality of the output. Many current processes support the development of the Annual Report to Congress and Objectives Report to Congress, semi-automate document reviews and comments, and enhance approval and tracking of IRS-wide collaborative efforts. All of the business processes targeted for replacement rely heavily on document collaboration. Some of these efforts, and the steps automated by SP, are listed below:

- Annual Report to Congress report generation workflows
  - Topic solicitation and approval
  - Generation, collaboration, review, and approval of topic synopsis, narratives, and executive summary
  - Research and Information Requesting routing and approval
- Internal Management Document (IMD) workflow for changes to IRM sections, policy statements, forms, etc.
  - Automated receipt
  - Collaborative review
  - Consolidated feedback
- Collaborative efforts to identify and track recommendations by cross-functional teams and the IRS Executive Steering Committee.

TAS is continuing to define, refine, and implement additional automated workflows. These will support the Objectives Report to Congress, Annual Report to Congress related processes, generation of internal communication requests, and the tracking of operational priorities, among others. The implementation of these additional processes will further lessen the burden on TAS’s employees.

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<sup>4</sup> A pre-defined set of steps or actions associated with a work object.

Moreover, TAS has also completed significant work in managing its information and document storage in a systematic way, using predefined key words or terms that allow more intuitive document search and retrieval. TAS will maintain these key words as the foundation for our system of identifying documents and files on SP 2010. Consistency in this area is critical to ensure the new search capabilities enhance TAS's ability to complete its mission.

While TAS has already started to reap the benefits of the new software, there is more work to be done. TAS continues to relocate thousands of documents and other content to the new software and to partner with IT and other business units in hopes that the IRS will similarly embrace the new software. This should ultimately lead to much-needed collaboration and consistency across the IRS.

In FY 2014, TAS will:

- Create and implement SharePoint reporting metrics;
- Continue to identify and automate appropriate business processes;
- Update and maintain current functionality based on lessons learned and industry best practices; and
- Continue advocating for the use of SharePoint across the IRS.

#### N. Integrated Low Income Taxpayer Clinic Technology: Grant Solutions

To meet the President's Management Agenda, electronic government initiative, and Public Law 106-107 requirements for the selection and implementation of a comprehensive grants management system, the Low Income Taxpayer Clinic Program Office selected Grant Solutions, a system developed by the Department of Health & Human Services. The initial phase, which was deployed during FY 2013, included:

- Online processing of grant applications and non-competitive continuation requests.
- Electronic issuance of funding announcements and the Notice of Grant Award.

The LITC Program Office anticipates completion of the final phase during FY 2014 and will take steps to test and implement the new system as well as informing and training users. In preparation

#### LITC program automates grants application process in FY 2013



Online processing of grant applications and non-competitive continuation requests.



Electronic issuance of funding announcements and the Notice of Grant Award.

for the final phase of Grant Solutions, the Program Office will undertake an aggressive communication plan that will:

- Announce the rollout of the final phase of Grant Solutions in the 2014 Publication 3319, *LITC Grant Application Package and Guidelines*. The instructions will guide applicants on using the system, and direct them on when to use the Grant Solutions system once they are selected for a grant.
- Present information at the LITC Annual Grantee Conference about the release of the final phase and how it impacts grantees.
- Post information and instruction for grantees about the deployment of the final phase in the online LITC Toolkit.

### Testing and Review of Grant Solutions

In preparation for the deployment of the final phase of Grant Solutions, the Program Office will test and review the system to ensure the program requirements have been incorporated and are working. The final release will include the following features:

- Grantees will be able to complete reporting forms and amendments online.
- LITC staff will have immediate access to data reported by grantees, allowing for better and timelier oversight.
- LITC staff will be able to timely and effectively review submissions and close out a grant year.

### Training and Implementation of Grant Solutions

As a final step, the LITC Program Office will work with the vendor to create and schedule training for grantees and staff on the new features and how to use them. This will include face-to-face classroom training for local LITC staff, and virtual sessions for grantees and remote staff.

The Grant Solutions system will streamline LITC processes by eliminating the need to maintain paper records and greatly reducing the need for LITC program staff to input data. In conjunction with the LITC performance measures in the reports, the new system will allow the Taxpayer Advocate Service to improve oversight of the LITC grant program.

## VIII. Advancing a Climate of Advocacy Through New Approaches to Education

Education and training are the best tools TAS can provide to its employees. TAS leadership is committed to maintaining and enhancing employees' skills through comprehensive professional education and training. The National Taxpayer Advocate believes face-to-face training is the most effective method of providing continual education in problem-solving, advocacy, and other taxpayer-facing activities. However, given the significant limitations on training funds discussed above, TAS has explored and utilized alternative methods. TAS will conduct critical technical training for new hires in the classroom and deliver other training in a virtual environment at little to no cost.

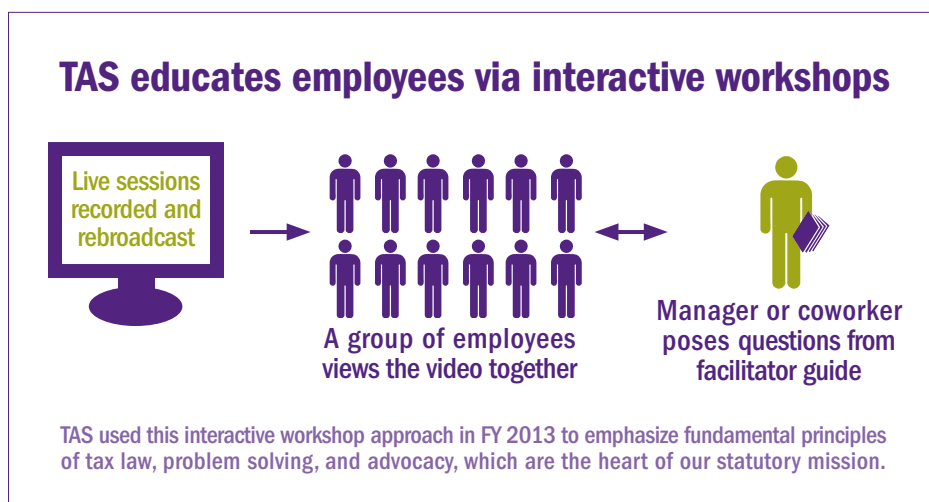
In FY 2013, TAS established three technical groups that will focus on the major categories of case types: Examination, Collection, and Accounts. These technical groups will:

- Review existing training material for currency, accuracy, and advocacy;
- Update materials in “real time” when laws or procedures change;
- Review and redesign the training schedule and format to build a stronger foundation of skills as new case advocates progress in their development;
- Provide training recommendations;
- Identify ongoing technical issues;
- Identify those in TAS with technical expertise for future training opportunities; and
- Develop advocacy-centric approaches to cases through analysis of TAOs and other materials.

TAS is using a combination of live and recorded sessions to deliver training to employees. With the current budget environment limiting face-to-face training, TAS records live sessions that can be viewed later by other employees. A group in an office can watch the video and respond to questions from a manager or co-worker acting as a facilitator. This provides an opportunity to reinforce the material and generate the kind of dialogue that is present in face-to-face training and leads to deeper understanding.

TAS used this interactive workshop approach in FY 2013 to deliver the Roadmap to a Tax Controversy training to our TAS employees and the LITCs. The core messages emphasized the fundamental principles of tax law, problem solving, and advocacy, which are the heart of our statutory mission. This training consisted of a series of videos recorded by the National Taxpayer Advocate and experts on the legal and procedural issues involved in tax controversies, and how those issues affect us as we work to help taxpayers. TAS shipped DVDs of the video segments to all of its offices and LITCs, along with detailed participant and facilitator guides. Each office held facilitated training with groups of employees, played the videos, and paused at various points to discuss case examples. The guides for

the facilitators suggested questions to ask and possible courses of advocacy to resolve the taxpayers' issues.



In FY 2014, TAS will:

- Move to a continuous educational environment that offers learning opportunities throughout the year;
- Develop alternative methods when face-to-face training is cost-prohibitive;
- Develop short training modules on critical case issues to assist TAS employees in advocacy; and
- Continue to advocate for the need for face-to-face training in all aspects of taxpayer-facing activities.

#### A. TESIS Will Require Extensive User Training

TESIS training presents its own set of challenges. TAS employees must be prepared to move seamlessly into the TESIS environment to avoid undue delays in assisting the taxpayers who are counting on TAS's help. Because the current case management system, TAMIS, will be decommissioned when TESIS is launched, there is no "fallback." To deliver training timely, TAS must identify the specific training needs of TAS employees and IRS users based on anticipated TESIS functionality and develop training products while the system is still being built. The training must address both the content associated with each release and any interim processes and procedures necessary to ensure continuity of operations until TESIS is fully implemented.

All TAS employees will need TESIS training. Much of the content will center on system features and functionality, but it also will include changes to work processes and



procedures that leverage TASIS's enhanced functionality and how we want it to support our work. For example, employees need to be educated on new case issue codes that will better enable TASIS to assign work to Case Advocates based on their skill level. This functionality will enable taxpayers to receive the full benefit of TAS's advocacy from an experienced Case Advocate, while also contributing to our employees' satisfaction in that they feel they have the skills and knowledge needed to assist taxpayers with specific issues. TAS will continue to identify and address specific training needs through the PMO until TASIS is fully deployed.

TAS has developed a comprehensive training plan that includes the flexibility to update training products with each TASIS release to account for new or changed system functionality and applicable changes to TAS policies, processes, and procedures. TAS will use a blended training approach to meet employees' training needs based on their work responsibilities and the role they have been assigned in TASIS. These roles include, but are not limited to: Intake Advocate, Case Advocate, Technical Advisor, and Manager. TAS will also train employees in the IRS who are expected to use TASIS, such as to create TAS cases and respond to OARs.

Adding complexity to the scope of training, employees in the same user role may have different TASIS permissions built into their profiles. TAS's training plan is designed to accommodate all roles and profiles, and allow employees the flexibility to learn about functionality for other user roles. Employees will be able to participate in self-guided activities in addition to the formal training. Training will be delivered face-to-face and virtually, and include job aids, user guides, and a training database to enable hands on practice.

An essential component of training will be preparing employees for the transition to TASIS and enabling them to see the bigger picture of how TASIS will revolutionize TAS. Prior to training, TAS will share ongoing TASIS news, knowledge, and events with employees to introduce them to some of the changes and let them know what to expect when TASIS goes live. Employees will be able to hear more about specific TASIS features and capabilities from their peers and TAS leadership, and participate in activities such as TASIS demonstrations for various user roles and specific tasks.

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## Appendix I: Evolution of the Office of Taxpayer Advocate

The Office of the Taxpayer Ombudsman was created by the IRS in 1979 to serve as the primary advocate, within the IRS, for taxpayers. This position was codified in the Taxpayer Bill of Rights (TBOR 1), included in the Technical and Miscellaneous Revenue Act of 1988 (TAMRA).<sup>1</sup> In TBOR 1, Congress added IRC § 7811, granting the Ombudsman (now the National Taxpayer Advocate) the statutory authority to issue Taxpayer Assistance Orders (TAOs) when taxpayers were suffering or about to suffer significant hardships because of the way the Internal Revenue laws were being administered.<sup>2</sup> Further, this section directed the Ombudsman and the Assistant Commissioner (Taxpayer Services) to jointly provide an annual report to Congress about the quality of taxpayer services provided by the IRS. This report was to be delivered directly to the Senate Committee on Finance and the House Committee on Ways and Means.<sup>3</sup>

In 1996, Taxpayer Bill of Rights 2 (TBOR 2) amended IRC § 7802 (the predecessor to IRC § 7803), replacing the Office of the Taxpayer Ombudsman with the Office of the Taxpayer Advocate.<sup>4</sup> The Joint Committee on Taxation set forth the following reasons for change:

To date, the Taxpayer Ombudsman has been a career civil servant selected by and serving at the pleasure of the IRS Commissioner. Some may perceive that the Taxpayer Ombudsman is not an independent advocate for taxpayers. In order to ensure that the Taxpayer Ombudsman has the necessary stature within the IRS to represent fully the interests of taxpayers, Congress believed it appropriate to elevate the position to a position comparable to that of the Chief Counsel. In addition, in order to ensure that the Congress is systematically made aware of recurring and unresolved problems and difficulties taxpayers encounter in dealing with the IRS, the Taxpayer Ombudsman should have the authority and responsibility to make independent reports to the Congress in order to advise the tax-writing committees of those areas.<sup>5</sup>

In TBOR 2, Congress not only established the Office of the Taxpayer Advocate, but also described its functions:

- To assist taxpayers in resolving problems with the IRS;
- To identify areas in which taxpayers have problems in dealings with the IRS;
- To the extent possible, propose changes in the administrative practices of the IRS to mitigate those identified problems; and

1 TAMRA, Pub. L. No. 100-647, Title VI, § 6230, 102 Stat. 3342, 3733 (Nov. 10, 1988).

2 *Id.*

3 *Id.* at 3737.

4 Pub. L. No. 104-168, § 101, 110 Stat. 1452, 1453 (July 30, 1996).

5 Joint Committee on Taxation, General Explanation of Tax Legislation Enacted in the 104th Congress, JCS-12-96, 20 (Dec. 18, 1996).

- To identify potential legislative changes which may be appropriate to mitigate such problems.<sup>6</sup>

Congress did not provide the Taxpayer Advocate with direct line authority over the regional and local Problem Resolution Officers (PROs) who handled cases under the Problem Resolution Program (PRP), the predecessor to the Office of the Taxpayer Advocate. At the time of the enactment of TBOR 2, Congress believed it sufficient to require that “all PROs should take direction from the Taxpayer Advocate and that they should operate with sufficient independence to assure that taxpayer rights are not being subordinated to pressure from local revenue officers, district directors, etc.”<sup>7</sup>

TBOR 2 also replaced the joint Assistant Commissioner/Taxpayer Advocate Report to Congress with two annual reports to Congress issued directly and independently by the Taxpayer Advocate.<sup>8</sup> The first report is to contain the objectives of the Taxpayer Advocate for the fiscal year beginning in that calendar year. This report is to provide full and substantive analysis in addition to statistical information and is due no later than June 30 of each calendar year. The second report details the activities of the Taxpayer Advocate during the fiscal year ending during that calendar year. The report must identify the initiatives the Taxpayer Advocate has taken to improve taxpayer services and IRS responsiveness, contain recommendations received from individuals who have the authority to issue a TAO, describe in detail the progress made in implementing these recommendations, contain a summary of at least 20 of the Most Serious Problems (MSPs) which taxpayers have in dealing with the IRS, include recommendations for such administrative and legislative action as may be appropriate to resolve such problems, describe the extent to which regional PROs participate in the selection and evaluation of local PROs, and include other such information as the Taxpayer Advocate may deem advisable. The stated objective of these reports is “for Congress to receive an unfiltered and candid report of the problems taxpayers are experiencing and what can be done to address them. The reports by the Taxpayer Advocate are not official legislative recommendations of the Administration; providing official legislative recommendations remains the responsibility of the Department of Treasury.”<sup>9</sup>

Finally, TBOR 2 amended IRC § 7811, extending the scope of a TAO, by providing the Taxpayer Advocate with broader authority “to affirmatively take any action as permitted by law with respect to taxpayers who would otherwise suffer a significant hardship as a result of the manner in which the IRS is administering the tax laws.”<sup>10</sup> For the first time, the TAO could specify a time period within which the IRS must act on the order. The statute also provided that only the Taxpayer Advocate, the IRS Commissioner, or the Deputy Commissioner could modify or rescind a TAO, and that any official who so modifies or

6 Pub. L. No. 104-168, § 101(d)(2)(A), 110 Stat. 1452, 1453 (July 30, 1996).

7 Joint Committee on Taxation, General Explanation of Tax Legislation Enacted in the 104th Congress, JCS-12-96, 21 (Dec. 18, 1996).

8 Pub. L. No. 104-168, § 101(d)(2)(B), 110 Stat. 1452, 1454 (July 30, 1996).

9 Joint Committee on Taxation, General Explanation of Tax Legislation Enacted in the 104th Congress, JCS-12-96, 21 (Dec. 18, 1996).

10 *Id.*

rescinds a TAO must respond in writing to the Taxpayer Advocate with his or her reasons for such action.<sup>11</sup>

In 1997, the National Commission on Restructuring the Internal Revenue Service called the Taxpayer Advocate the “voice of the taxpayer.” In its discussion of the Office of the Taxpayer Advocate, the Commission noted:

Taxpayer Advocates play an important role and are essential for the protection of taxpayer rights and to promote taxpayer confidence in the integrity and accountability of the IRS. To succeed, the Advocate must be viewed, both in perception and reality, as an independent voice for the taxpayer within the IRS. Currently, the national Taxpayer Advocate is not viewed as independent by many in Congress. This view is based in part on the placement of the Advocate within the IRS and the fact that only career employees have been chosen to fill the position.<sup>12</sup>

In response to these concerns, in the IRS Restructuring and Reform Act of 1998 (RRA 98), Congress amended IRC § 7803(c), renaming the Taxpayer Advocate as the National Taxpayer Advocate and mandating that the National Taxpayer Advocate could not be an officer or an employee of the IRS for two years preceding or five years following his or her tenure as the National Taxpayer Advocate (service as an employee of the Office of the Taxpayer Advocate is not considered IRS employment under this provision).<sup>13</sup>

RRA 98 provided for Local Taxpayer Advocates (LTAs) to be located in each state, and mandated a reporting structure for LTAs to report directly to the National Taxpayer Advocate.<sup>14</sup> As indicated in IRC § 7803(c)(4)(B), each LTA must have a phone, fax, electronic communication, and mailing address separate from those of the IRS. The LTA must advise taxpayers at their first meeting of the fact that “the taxpayer advocate offices operate independently of any other Internal Revenue Service office and report directly to Congress through the National Taxpayer Advocate.”<sup>15</sup> Congress also granted the LTAs discretion to not disclose to the IRS the fact that the taxpayer contacted the Office of the Taxpayer Advocate or any information provided by the taxpayer to that office.<sup>16</sup>

The definition of “significant hardship” in IRC § 7811 was expanded in 1998 to include four specific circumstances:

1. An immediate threat of adverse action;
2. A delay of more than 30 days in resolving taxpayer account problems;

<sup>11</sup> Pub. L. No. 104-168, § 102, 110 Stat. 1452, 1456 (July 30, 1996).

<sup>12</sup> Report of the National Commission on Restructuring the Internal Revenue Service: A Vision for a New IRS 48 (June 25, 1997).

<sup>13</sup> Pub. L. No. 105-206, § 1102, 112 Stat. 685, 699 (July 22, 1998).

<sup>14</sup> *Id.* at 701.

<sup>15</sup> IRC § 7803(c)(4)(A)(iii).

<sup>16</sup> IRC § 7803(c)(4)(A)(iv).

3. The incurring by the taxpayer of significant costs (including fees for professional representation) if relief is not granted; or
4. Irreparable injury to, or a long-term adverse impact on, the taxpayer if relief is not granted.<sup>17</sup>

The Committee Reports make clear that this list is a non-exclusive list of what constitutes significant hardship.<sup>18</sup>

Treasury Regulation § 301.7811-1 had not been updated since it was first published in 1992. Consequently, the regulation contained a definition of “significant hardship” which did not take into account the expansion of the definition that occurred in 1998. In April 2011, the IRS published final regulations under IRC § 7811 so that the regulations now contain a definition of significant hardship which is consistent with existing law and practice.<sup>19</sup>

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<sup>17</sup> IRC § 7811(a)(2).

<sup>18</sup> See, e.g., H.R. Conf. Rep. No. 105-599, at 215 (1998).

<sup>19</sup> Treas. Reg. § 301.7811-1(a)(4)(ii); 76 FR 18,059 (Apr. 1, 2011).

## Appendix II: Taxpayer Advocate Service Case Acceptance Criteria

As an independent organization within the IRS, TAS helps taxpayers resolve problems with the IRS and recommends changes to prevent future problems. TAS fulfills its statutory mission by working with taxpayers to resolve problems with the IRS.<sup>1</sup> TAS case acceptance criteria fall into four main categories:

### Economic Burden

Economic burden cases are those involving a financial difficulty to the taxpayer: an IRS action or inaction has caused or will cause negative financial consequences or have a long-term adverse impact on the taxpayer.

**Criteria 1:** The taxpayer is experiencing economic harm or is about to suffer economic harm.

**Criteria 2:** The taxpayer is facing an immediate threat of adverse action.

**Criteria 3:** The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).

**Criteria 4:** The taxpayer will suffer irreparable injury or long term adverse impact if relief is not granted.

### Systemic Burden

Systemic burden cases are those in which an IRS process, system, or procedure has failed to operate as intended, and as a result the IRS has failed to timely respond to or resolve a taxpayer issue.

**Criteria 5:** The taxpayer has experienced a delay of more than 30 days to resolve a tax account problem.

**Criteria 6:** The taxpayer has not received a response or resolution to the problem or inquiry by the date promised.

**Criteria 7:** A system or procedure has either failed to operate as intended, or failed to resolve the taxpayer's problem or dispute within the IRS.

### Best Interest of the Taxpayer

TAS acceptance of these cases will help ensure that taxpayers receive fair and equitable treatment and that their rights as taxpayers are protected.<sup>2</sup>

<sup>1</sup> IRC § 7803(c)(2)(A)(i).

<sup>2</sup> TAS temporarily changed its case acceptance criteria to stop accepting certain systemic burden issues. See TAS Interim Guidance Memorandum (IGM) TAS-13-0912-019, *Reissuance of Interim Guidance on Changes to Case-Acceptance Criteria*, (Sept. 25, 2012) available at: [http://www.irs.gov/file\\_source/pub/foia/ig/spder/TAS-13-0912-019.pdf](http://www.irs.gov/file_source/pub/foia/ig/spder/TAS-13-0912-019.pdf).

**Criteria 8:** The manner in which the tax laws are being administered raises considerations of equity, or has impaired or will impair the taxpayer's rights.

### **Public Policy**

Acceptance of cases into TAS under this category will be determined by the National Taxpayer Advocate and will generally be based on a unique set of circumstances warranting assistance to certain taxpayers.

**Criteria 9:** The National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers.



## Appendix III: IRS and TAS Collaborative Efforts

IRS/TAS Collaboration Team Name	IRS/TAS Team Objectives	Collaborative Teams Status Update
Affordable Care Act (ACA) Web Team	The objective is to develop an ACA web strategy that leverages the advantages of the new IRS.gov platform while effectively addressing the tax-related ACA needs of internal and external stakeholders.	New team.
Integrity & Verification Operations (IVO)	This task force replaces the Accounts Management Taxpayer Assurance Program (AMTAP) team and works to resolve systemic problems that cause backlogs and delays.	The team meets regularly to discuss current issues (elevated through SAMS, email and phone), and procedural and IRM changes.
Appeals/TAS Advisory Board	The Board meets quarterly to discuss any Service Level Agreement (SLA) issues as well as any other general Appeals-related processing concerns.	The team meets regularly to discuss issues in TAS casework and changes in Appeals processes. TAS and Appeals are preparing training on the Appeals OAR process. EDCA is taking the lead on this project. Appeals will measure its effectiveness by a reduction in the OAR rejection rate.
Business Master File (BMF) Identity Theft (IDT)	The team studies BMF identity theft.	The team is comprised of three sub-teams, one to develop the definition of BMF IDT, a second to develop a BMF identity theft affidavit form (now complete), and a third reviewing BMF IDT cases to develop a consistent treatment process; there are no IRM procedures for BMF IDT cases.
BMF Refundable Credits Team [Entity Fabrication]	The team will focus on BMF Entity Credit Fabrication and its impact on other business operations.	In the near future, the team will have its kick-off meeting to develop the project overview, charter, scope, and preliminary data. We are also conducting pre-analysis for the project.
Business Unit SharePoint 2010 Migration Team	The team discusses the IRS's strategy and requirements for migrating from SharePoint 2003 to SharePoint 2010.	TAS participates on a monthly conference call to support migration guidelines, requirements, and milestones.
Congressional Affairs Program (CAP) Council	The team is led by Legislative Affairs and includes Governmental Liaisons. The council works issues specific to the Congressional Affairs Program and issues the Congressional Update newsletter.	Legislative Affairs, Governmental Liaison, and TAS make up this team, which meets quarterly to discuss mutual issues relative to the Congressional Affairs Program. The newsletter team meets monthly to review, edit, and approve articles for the electronic newsletter issued to congressional offices. TAS articles appear in the newsletter as appropriate.
Correspondence Examination Assessment Project (CEAP)	The objective is to improve the taxpayer experience in Correspondence Exam. It includes representatives from W&I and SB/SE campuses, Appeals, TAS, and Communications. The CEAP continues to analyze data develop recommendations, and regularly brief the Commissioner.	Formed five sub-teams: 1. Exam metrics 2. Correspondence examination process 3. Resource alignment to inventory mix 4. First-time resolution 5. Maximize electronic communications.
Collection Statute Expiration Date (CSED) Workgroup	Identify and review all accounts with the CSED extended 15 years beyond assessment; determine if the waiver is proper; report findings and propose resolutions (as appropriate); and resolve accounts.	The group is comprised of an SB/SE Collection Policy Director and Policy Staff Analysts as well as TAS Analysts and an Attorney Advisor. The group has met often, usually at least monthly, and agreed to parameters for types of accounts that can be removed / abated; those that should not qualify, i.e., Criminal Investigation cases, etc. The group has been researching all the legal and procedural methods to implement bulk changes on those accounts.
Education and Outreach Leadership Group	The team provides opportunities for exchanging information, ideas, and points of view between IRS functions	The team meets monthly with different business units hosting the calls each month.
e-FOIA Internal Management Document / Servicewide Electronic Research Program (IMD/SERP) Process	Servicewide Policy, Directors, and Electronic Research (SPDER) and TAS collaborate to encourage IRM authors to apply e-FOIA requirements properly.	TAS IMD SPOC (Single Point of Contact) is working with SPDER to ensure all IMD authors are properly applying the e-FOIA tool to SERP procedural updates. This will improve the accuracy of IMD reviews sent to TAS to review for taxpayer burden/rights issues.

IRS/TAS Collaboration Team Name	IRS/TAS Team Objectives	Collaborative Teams Status Update
Employment Tax: Third-Party Payers	TAS is collaborating with SB/SE Collection Policy and SB/SE Employment Tax Policy to address the effects of misappropriation of employment taxes by third-party payers. The goal is to improve IRS work processes to allow early interventions and notice to taxpayers about outstanding liabilities, and to issue guidance on case resolution, collection alternatives, and relief available to victims of third-party payer failures.	TAS reported on the status of the IRS's efforts to implement dual notices, explaining that it has been nearly five years since the National Taxpayer Advocate recommended the use of dual confirmation letters when a Payroll Service provider (PSP) changes a client's address without proper authorization. TAS explained that, while the IRS and TAS have collaborated on a number of options, none have been implemented. TAS also recommended that the IRS establish ascertainable timeframes for beginning the use of dual address change letters alerting taxpayers that a PSP has initiated a change of address, including email or text message notifications to taxpayers who consent in a special field on employment tax returns. TAS is awaiting the IRS's formal response.
Enterprise-Wide Employment Tax Program	The team emphasizes a collaborative and strategic approach for establishing priorities, goals, and measures for improving employment tax compliance. The team includes members from all IRS functions.	The team continues to meet and collaborate on employment tax issues.
Form 944, Employer's Annual Tax Return	The IRS launched the Form 944, Employer's Annual Tax Return program as a customer-friendly initiative to reduce burden and simplify employment tax reporting, filing and payment requirements for certain taxpayers and reduce administrative cost to the IRS. When the program started in 2006, it was mandatory. Taxpayers could only opt out if they e-filed or expected to have a payroll tax of more than \$1,000.	The team continues to work with SB/SE to address Form 944 concerns.
Identity Theft- Return Review Program (RRP) Transition State Two (TS2) Milestone Three (MS3) Requirements / Rules/ BPM Validation Sub Team	This is a subteam of the Return Review Program Team. The sub team is looking at requirements for transitioning from the EFDS system to the next state by determining the capabilities of the new system.	The team meets regularly to discuss system design and capabilities.
Identity Theft Victim Assistance Technical Working Group (TWG)	The cross-functional team gathers identity theft case data and analyzes the burden on affected taxpayers to recommend improvements to the process. The team focuses on areas where procedures are inconsistent or nonexistent.	The group meets regularly to address specific technical issues identified by SAMS submissions and TAS casework.
Internal Management Documents Council	This oversight group collaborates on and implements strategies related to all IMD activities. The Council supports the IRS goal of ensuring the IRM is the official source of all procedures, policy, directives, delegations, and guidelines. The continuing actions for TAS are: <ol style="list-style-type: none"> <li>1. Attend meetings.</li> <li>2. Raise issues that affect TAS.</li> <li>3. Establish a dialogue with other IMD coordinators.</li> <li>4. Discuss IMD process revisions, including related forms and websites.</li> </ol>	TAS and SPDER formed a subgroup to improve the eFOIA determinations made by IRM authors. This will drive more IMD reviews to TAS when the operating divisions include changes that affect taxpayers. Additionally, TAS raised an issue involving W&I's practice of issuing SERP alerts containing new instructions to staff. SERP alerts are not intended to convey new instructions to staff; rather, the IRM author should issue Interim Guidance. The W&I author of the SERP alert rescinded it and issued interim guidance.

IRS/TAS Collaboration Team Name	IRS/TAS Team Objectives	Collaborative Teams Status Update
International Individual Taxpayer Assistance team	<p>The International Individual Taxpayer Assistance team (IITA) has the following objectives:</p> <ol style="list-style-type: none"> <li>1) International taxpayer groups with similar characteristics;</li> <li>2) Identify needs of these groups;</li> <li>3) Identify existing channels for assistance for these groups;</li> <li>4) Identify service gaps for these groups;</li> <li>5) Identify risk factors for service gaps;</li> <li>6) Prioritize taxpayer groups and service gaps based upon risk factors;</li> <li>7) Develop solutions and sort them in a priority order based on importance and resources; and</li> <li>8) Involve LB&amp;I and IRS Office of Chief Counsel experts on tax treaties and international law issues.</li> </ol>	<p>Working through sub-teams and meeting monthly, the IITA is:</p> <ul style="list-style-type: none"> <li>• Identifying the most common questions from international customers and developing answers to approximately 40 of these questions. These FAQ's will be posted on IRS.gov.</li> <li>• In close cooperation with IRS Online Services, reviewing and updating over 130 IRS.gov pages pertaining to international taxpayers, and making them more accessible.</li> <li>• Investigating measurement tools of web page traffic and developing content-based survey questions to identify changes in taxpayer behavior and compliance.</li> <li>• Identifying IRS notices that burden international taxpayers (e.g., ones that give taxpayers less than 21 days to respond, an insufficient amount of time for taxpayers located abroad).</li> <li>• The team is working with administrators of Tax Map, an IRS-developed tax law discovery tool to add additional international search words and topics that will refer taxpayers to appropriate information on IRS.gov.</li> <li>• The team is verifying that all IRS forms and publications are available through IRS.gov, with the intended next step of exploring the feasibility of making some forms and publications available to groups not able to access them online.</li> <li>• The team is working with Online Services in assessing the benefits and feasibility of future virtual service delivery via technologies such as kiosks, Facetime, and Skype.</li> </ul>
Intranet Working Group (IWG)	TAS participates on the Servicewide IWG, which discusses issues related to intranet development and deployment.	The group works on specific tasks to support the intranet including metadata search, taxonomy, software applications for deployment, and development and enhancements for future intranet releases. This team meets quarterly.
IRM Lean Six Sigma Servicewide Project	The team is working a Lean Six Sigma project on the IMD clearance process.	TAS is a participant in the Lean Six Sigma (LSS) pilot to improve timeliness of IMD reviews and make the IMD process more efficient. TAS is advocating for the adoption of SharePoint technology to expedite the IMD review, and has developed a prototype.
IRS Style Guide Team	Team developed, maintains, and updates the style guide used by communicators in servicewide messages or products.	The Style Guide is an active resource for IRS communicators. The team updates the guide as needed.
Twitter Editorial Board	The team's goal is to move the IRS forward on Twitter, helping build a servicewide content strategy and guidelines.	The group meets regularly, sharing information and best practices.
IRS University Team	IRS University consolidates internal and external leadership training resources to make it easier for leaders to locate the tools they need.	The team meets regularly to discuss and coordinate training initiatives.

IRS/TAS Collaboration Team Name	IRS/TAS Team Objectives	Collaborative Teams Status Update
Manual Refund-Duplicate Refund Deficiencies	The Government Accountability Office (GAO) and the Treasury Inspector General for Tax Administration (TIGTA) reported a number of deficiencies in the IRS's internal control over processing manual tax refunds. GAO also identified duplicate payments of claims associated with the First-Time Homebuyer Credit (FTHBC) in FY 2010. Because of the persistent deficiencies in processing manual refunds, coupled with the duplicate payments associated with FTHBC claims, GAO declared a significant deficiency in the IRS's internal control over tax refund disbursements. This significant deficiency increases the risk that the IRS may pay out duplicate tax refunds to which individuals or businesses are not entitled and which the IRS must spend resources attempting to recover.	This servicewide corrective action plan addresses the reported deficiencies and will substantially strengthen controls through increased monitoring, documentation, reviews, training and automated controls.
Non-Filer Sub-Team [Executive Committee]	This is a TAS working group that supports the Executive Steering Committee on Non-Filers.	The team meets quarterly to discuss non-filer issues.
Plain Writing Working Group	The Plain Writing Act requires all "covered documents" to be written in "clear Government communication that the public can understand and use." Covered documents are documents that: <ul style="list-style-type: none"> <li>Are necessary for obtaining any federal government benefit or service, or filing taxes (e.g., tax forms or benefit applications)</li> <li>Provide information about any federal government benefit or service (e.g., handbooks for Medicare or Social Security recipients) or</li> <li>Explain to the public how to comply with a requirement that the federal government administers or enforces (e.g., guidance on how to prepare required reports or comply with safety requirements).</li> </ul>	The Plain Writing Working Group functions under the leadership of the Plain Writing Editorial Board to randomly sample and review "covered documents" that are not currently being reviewed for compliance with the Federal Plain Language Guidelines.
Professional Development Board (PDB)	The PDB works to develop, implement, and continuously improve a comprehensive professional development program for communications professionals. This includes multi-level and specialized skills training, rotational assignments, career management and development, and other activities that will enable participants to deliver the communications needs of the IRS.	The group continues the continuous learning process in an efficient, cost-effective manner. The PDB is delivering monthly sessions via CENTRA and other remote methods and is developing a virtual CPE for servicewide communicators.
Return Integrity & Correspondence Services (RICS) Referral Team	W&I has created a team to establish treatments for fraud schemes when there is no agreed-upon treatment.	This collaboration offers TAS, W&I and other business units an opportunity to work together to resolve problems affecting the IRS and taxpayers alike.

IRS/TAS Collaboration Team Name	IRS/TAS Team Objectives	Collaborative Teams Status Update
Return Review Program-Customer Requirement Board (CRB)	Modernize the IRS's ability to protect revenue from fraud and other forms of noncompliance at the front end, before the IRS releases a refund. This cross-functional team provides input into the direction of the project, as well as training, education, configuration control, etc.	<p>The Return Review Program (RRP) replaced the Electronic Fraud Detection System (EFDS) and provides new capabilities to:</p> <ul style="list-style-type: none"> <li>• Detect additional fraudulent return claims;</li> <li>• Integrate legacy systems;</li> <li>• Automate manual processes;</li> <li>• Provide flexibility to support changing business needs;</li> <li>• Select treatments based on available resources;</li> <li>• Enable use of additional treatments to effect pre-refund compliance;</li> <li>• Support analysis and case processing needs of both civil and criminal investigation employees; and</li> <li>• Reduce the percentage of non-fraudulent refund claims frozen by the IRS.</li> </ul> <p>The team has focused on investigating the causes and cures of refund fraud. The team has narrowed its focus to a small segment of the tax return preparer community that defrauds taxpayers and the IRS by inflating deductions and credits, and then directing refunds to bank accounts under the preparers' control without the taxpayers' knowledge. The team is also looking into the increase in stolen identities and the tax returns claiming fraudulent refunds. The team also is looking at gaps in IRS procedures and discrepancies in the treatment of stolen paper refunds vs. stolen direct-deposit refunds.</p>
TAS Training for IRS Employees	Delivery of TAS overview and case studies to IRS compliance employees (Collection, Appeals and LB & I)	Continue to deliver TAS training to new Large Business and International (LB&I) employees. This team is becoming less active due to reduced hiring and because the IRS is no longer taking the "corporate" approach to new hire training. Each business unit is now responsible for arranging its own orientation.
TAS/SPDER MOU Sub-Group	The group plans to explore the inclusion of formal clearance procedures in the IRM for letters, notices, forms, and publications.	TAS has concerns about the IRS's formal clearance procedures many types of IMDs such as forms, pubs, letters, and notices. This has been a problem for TAS, as there are no defined procedures for clearing these documents in the IRM.
IRS Nationwide Tax Forums	This is a servicewide collaborative effort to plan and execute the tax forums on a yearly basis. TAS works extensively with National Public Liaison to present hot topic seminars for practitioners.	In past years, as "owner" of the Case Resolution Program, TAS worked with SBSE, W&I, IT, and Appeals to provide resolutions for difficult cases. This year, the IRS has removed the program from the Tax Forum plans. For the second year in a row, there is no IRS/TAS presence in the exhibit hall, and no IRS/TAS focus groups at the forums.
Third-Party Contact (TPC) Program	<p>The team is charged with reviewing the organizational and functional roles and responsibilities with respect to the TPC program. The team is to examine:</p> <ol style="list-style-type: none"> <li>1. Compliance with statutory requirements;</li> <li>2. Oversight, review and reporting provisions;</li> <li>3. Training needs; and</li> <li>4. Optimal use of resources</li> </ol>	The group put together a revised IRM, Training Materials, etc. The team approved their final report in June 2012. The team lead (an SB/SE Collection Analyst) briefed the director of Collection Policy, who has been in touch with Exam. The team presented the report to other BOD executives in early FY 2013.
Transcripts – Transcript Delivery System (TDS) and Records of Accounts ROAs	The team is reviewing the entire transcript system to determine what exactly is available for all transcript types. Due to multiple complaints from both IMF and BMF taxpayers, the IRS needs to find out what parts of the system work correctly, which areas don't, and what can be done to fix the problems. Identity theft victims must be able to obtain accurate transcripts for use for such issues as financial aid for college and mortgage documentation.	Banking regulations will change in 2014, allowing for more flexibility in documents that will be accepted as proof of income for mortgage applications. The Small Business Administration and Federal Student Aid organizations have fewer legal obstacles and the FSA has been receptive to options other than the tax return transcript. There are two work requests out to fix some of the transcript problems. Practitioner Priority Service (PPS) users will be able to request a transcript using their Form 8821, Tax Information Authorization. The Transcript IRM 21.2.3 is being revised and is expected to be published sometime during the summer of 2013.
U.S. Postal Service Intercepted Mail	W&I has established a team to look at intercepted mail/refunds/debit cards from third parties, mainly by the USPS, and work on establishing a treatment process.	This collaboration offers TAS, W&I, and other business units an opportunity to work together to resolve problems affecting all of the IRS and taxpayers alike.

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## Appendix IV: List of Low Income Taxpayer Clinics

Low Income Taxpayer Clinics (LITCs) represent low income taxpayers before the Internal Revenue Service and assist taxpayers in audits, appeals, and collection disputes. LITCs can also help taxpayers respond to IRS notices and correct account problems.

If you are a low income taxpayer who needs assistance in resolving tax disputes or controversies with the IRS and you cannot afford representation, or if you speak English as a second language (ESL) and need help understanding your taxpayer rights and responsibilities, you may qualify for help from an LTC that provides free or low cost assistance. Using poverty guidelines published annually by the Department of Health and Human Services (HHS), each clinic decides if you meet the income eligibility guidelines and other criteria before it agrees to represent you. Eligible taxpayers must generally have incomes that do not exceed 250 percent of the poverty guidelines.

Although LITCs receive partial funding from the IRS, LITCs, their employees and their volunteers are completely independent of the federal government. Clinics receiving federal funding for the 2013 calendar year are listed below. These clinics are operated by nonprofit organizations or academic institutions.

In lieu of an LTC, low income taxpayers may be able to receive assistance from a referral system operated by a state bar association, a state or local society of accountants or enrolled agents, or another nonprofit tax professional organization.

This is not a recommendation by the IRS that you retain a Low Income Taxpayer Clinic or other similar organization to represent you before the IRS. Contact information for clinics may change, so please check for the most recent information at <http://www.irs.gov/uac/Contact-a-Low-Income-Taxpayer-Clinic>.

**Type of Clinic: C = Controversy Clinic; E = ESL Clinic; and B = Both Controversy and ESL Clinic**

State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
AK	Anchorage	Alaska Business Development Center	1-800-478-3474 907-562-0335	E	Aleut, Cupik, Haida, Inupiat, North Athabaskan, Tlingit, Yupik
AL	Montgomery	Legal Services Alabama LTC	1-866-456-4995	C	All languages through interpreter services
AR	Little Rock	UALR Bowen School of Law LTC	501-324-9441	B	Spanish
	Springdale	Legal Aid of Arkansas LTC	1-800-967-9224 479-442-0600	B	Spanish, Marshallese
AZ	Phoenix	Community Legal Services LTC	1-800-852-9075 602-258-3434	B	Spanish
	Tucson	Taxpayer Clinic of Southern Arizona	520-622-2801	B	Spanish, American Sign Language, other languages through interpreter services
	Window Rock	DNA People's Legal Services LTC	1-800-789-7287 928-871-4151	B	Navajo

State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
CA	Fresno	Central California Legal Services LITC	1-800-675-8001 559-570-1200	B	Spanish, Hmong, Khmer, Lao, Hebrew
	Los Angeles	AIDS Project Los Angeles LITC	213-201-1500	C	All languages through interpreter services
	Northridge	The Bookstein Tax Clinic	818- 677-3600	B	Spanish, Korean, Armenian
	Orange	Chapman Tax Law Clinic	714-628-2535	C	Spanish, Vietnamese
	San Diego	Home Start LITC	619-229-3660 x 222	E	All languages through interpreter services
	San Diego	Legal Aid Society of San Diego LITC	1-877-534-2524	C	Spanish, French, Italian
	San Diego	University of San Diego Legal Clinics	619-260-7470	B	Spanish
	San Francisco	Asian Pacific Islander LITC	415-567-6255	B	All languages through interpreter services
	San Francisco	Chinese Newcomers Service Center	415-421-2111	B	Chinese
	San Francisco	Volunteer Legal Services Program LITC	415-989-1616	C	None
	San Jose	Santa Clara University School of Law LITC	408-288-7030	C	None
	San Luis Obispo	Cal Poly LITC	1-877-318-6772 805-756-2951	B	Spanish; other languages through interpreter services
CO	Denver	University of Denver LITC	303-871-6331	C	Spanish
CT	Hamden	Quinnipiac University School of Law LITC	203-582-3238	C	All languages through interpreter services
	Hartford	University of Connecticut School of Law Tax Clinic	860-570-5165	C	All languages through interpreter services
DC	Washington	American University Janet R. Spragens Federal Tax Clinic	202-274-4144	C	All languages through interpreter services
	Washington	Central American Resource Center	202-328-9799	E	Spanish
	Washington	UDC David A. Clarke School of Law LITC	202-274-7300	C	All languages identified in DC Language Access Act
DE	Wilmington	Delaware Community Reinvestment Action Council LITC	1-877-825-0750 302-654-5024	B	Spanish
FL	Jacksonville	Three Rivers Legal Services LITC.	1-866-256-8091 904-394-7450	C	Spanish
	Miami	Sant La LITC	305-573-4871	E	Haitian Creole, French, Spanish
	Miami	Legal Services of Greater Miami LITC	305-576-0080	B	Spanish, Creole
	Palatka	Community Legal Services of Mid-Florida LITC	1-866-886-1799 407-841-7777	B	Spanish; other languages through interpreter services
	Plant City	Bay Area Legal Services LITC	1-800-625-2257 813-232-1343	B	All languages through interpreter services
	Plantation	Broward / Collier LITC	954-765-8950 239-775-4555	B	Spanish, Creole, Hindi
	St. Petersburg	Gulf Coast Legal Services LITC	1-800-230-5920 727-821-0726	B	Spanish
	Tallahassee	Legal Services of North Florida LITC	850-385-9007	B	Spanish
	West Palm Beach	West Palm Beach LITC	1-800-403-9353 561-655-8944	B	Spanish, Creole
GA	Atlanta	The Philip C. Cook Low-Income Taxpayer Clinic	404-413-9230	C	Spanish
HI	Honolulu	Legal Aid Society of Hawaii Low Income Taxpayer Assistance Clinic	808-536-4302	B	Spanish; other languages through interpreter services.



State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
IA	Des Moines	Drake University Law School Tax Clinic	515-271-3851	B	Spanish
	Des Moines	Iowa Legal Aid LITC	1-800-532-1275 515-243-2151	B	Spanish
ID	Boise	University of Idaho College of Law LITC	1-877-200-4455 208-364-4074	C	Spanish
	Twin Falls	La Posada Tax Clinic	208-735-1189	B	Spanish
IL	Chicago	Center for Economic Progress Tax Clinic	1-888-827-8511 312-630-0241 312-630-0273	B	Spanish, Chinese, other languages through interpreter services
	Chicago	Korean American Community Services	773-583-5501	E	Korean, Spanish
	Chicago	Loyola University Chicago School of Law Federal Income Tax Clinic	312-915-7176	C	None
	Elgin	Administer Justice LITC	1-877-778-6006 847-844-1100	B	All languages through interpreter services
	Wheaton	Prairie State Legal Services LITC	855-829-7757	C	All languages through interpreter services
IN	Bloomington	Indiana Legal Services LITC	1-800-822-4774 812-339-7668	C	All languages through interpreter services
	Indianapolis	Neighborhood Christian Legal Clinic	1-888-243-8808 317-429-4131	B	Spanish, Russian, French, Chinese, Hakka Chin, Burmese, Arabic
KS	Lawrence	University of Kansas Legal Services for Students	785-864-5665	E	Spanish
	Wichita	South Central Kansas LITC	1-800-550-5804 316-688-1888	C	None
KY	Erlanger	Northern Kentucky University LITC	859-572-5781	B	Spanish
	Louisville	LITC at the Legal Aid Society	1-800-292-1862 502-584-1254	C	Spanish; other languages through interpreter services
	Richmond	Low Income Tax Clinic at AppalReD Legal Aid	1-800-477-1394 859-624-1394	C	Spanish, Portuguese, Creole; other languages through interpreter services
LA	Baton Rouge	Southern University Law Center LITC	225-771-3333	C	None
	New Orleans	Southeast Louisiana Legal Services LITC	1-877-521-6242 504-529-1000	C	Spanish, Vietnamese, German, French, Bulgarian, Polish
MA	Boston	Greater Boston Legal Services LITC	1-800-323-3205 617-371-1234	B	Spanish, Portuguese, other languages with advance notice
	Springfield	Springfield Partners LITC	413-263-6500	B	Spanish, Vietnamese, Russian
	Waltham	Bentley University LITC	1-800-273-9494 781-891-2083	B	Spanish, Hmong, Khmer, Lao, Russian, Hebrew
MD	Baltimore	CASA de Maryland LITC	301-431-4185	E	Spanish, French
	Baltimore	Maryland Volunteer Lawyers Service LITC	1-800-510-0050	C	All languages through interpreter services
	Baltimore	University of Maryland Carey School of Law LITC Program	410-706-3295	C	None
ME	Bangor	Pine Tree Legal Assistance LITC.	207-942-8241	B	Spanish, Vietnamese, other ; other languages through interpreter services
MI	Ann Arbor	University of Michigan Law School LITC	734-936-3535	B	All languages through interpreter services
	Detroit	Accounting Aid Society LITC	1-866-673-0873 313-556-1920	B	Arabic, Spanish
	East Lansing	Alvin L. Storrs Low Income Taxpayer Clinic	517-336-8088	B	Spanish; other languages through interpreter services

State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
MN	Minneapolis	Mid-Minnesota Legal Aid Tax Project	1-800-292-4150 612-334-5970	B	Spanish, Somali, Russian, Arabic, Hmong, Oromo, Amharic; other languages through interpreter services
	Minneapolis	University of Minnesota LITC	612-625-5515	B	Somali, Spanish, Hmong
MO	Kansas City	Legal Aid of Western Missouri LITC	1-800-990-2907 816-474-6750	B	Spanish; other languages through interpreter services
	Kansas City	UMKC - Kansas City Tax Clinic	816-235-6201	C	Spanish; other languages through interpreter services
	Springfield	Missouri State LITC	417-836-3007	B	Chinese, Korean, Spanish; other languages through interpreter services
MS	Jackson	Catholic Charities LITC	601-355-8634	E	Spanish
	Oxford	Mississippi Taxpayer Assistance Project	1-888-808-8049	B	All languages through interpreter services
MT	Helena	Montana Legal Services Association LITC	1-800-666-6899 406-442-9830	C	All languages through interpreter services
NC	Charlotte	Western North Carolina LITC	1-800-438-1254 (E) 1-800-247-1931(SP) 704-376-1600	B	Spanish
	Durham	Reinvestment Partners ESL Outreach Program	919-667-1000	E	Spanish, Arabic
	Durham	North Carolina Central University School of Law LITC	919-530-7166	C	Spanish
ND	New Town	Legal Services of North Dakota LITC	1-877-639-8695 701-627-4719	C	Hidatsa, Mandan, Arikara, Dakota Sioux, Arabic, Somalia, Bhutanese, Swahili, Bosnian
NE	Omaha	Legal Aid of Nebraska LITC	402-348-1069	B	Spanish
NH	Concord	New Hampshire Pro Bono Referral Low Income Taxpayer Project	603-228-6028	C	All languages through interpreter services
	Concord	Legal Advice and Referral Center LITC	1-800-639-5290 603-224-3333	E	All Languages through interpreter services.
NJ	Camden	South Jersey Legal Services LITC	1-800-496-4570 856-964-2010	B	Spanish; other Languages through interpreter services
	Edison	Legal Services of New Jersey Tax Legal Assistance Project	1-888-576-5529 732-572-9100	B	Spanish, French Creole, Portuguese, Korean, Hindi, Arabic, French, Italian; other languages through interpreter services
	Jersey City	Northeast New Jersey Legal Services LITC	201-792-6363	B	Spanish, Korean, Hindi, Urdu, Hebrew; other languages through interpreter services
	Newark	Rutgers Federal Tax Law Clinic	973-353-1685	C	Spanish
NM	Albuquerque	University of New Mexico School of Law Clinical Law Program	505-277-5265	C	Spanish,
NV	Las Vegas	Nevada Legal Services LITC	1-855-657-5459 702-386-0404	B	Spanish, Korean

State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
NY	Albany	Legal Aid Society of Northeastern New York LITC	1-800-462-2922 518-462-6765	C	All languages through interpreter services
	Bronx	Legal Services NYC-Bronx LITC	718-928-3700	C	All languages through interpreter services
	Brooklyn	Bedford-Stuyvesant Community Legal Services LITC	718-636-1155	C	Spanish
	Brooklyn	Brooklyn Low Income Taxpayer Clinic	718-237-5528	B	Spanish, Haitian Creole, Russian, American Sign Language; other languages through interpreter services
	Buffalo	Erie County Bar Association LITC	1-800-229-6198 716-847-0662	C	Spanish, French, Arabic
	Elmsford	WestCOP Taxpayer Education Services	914-592-5600	E	Spanish
	Jamaica	Queens Legal Services LITC	347 592-2200	B	All languages through interpreter services
	New York	Fordham Law School Tax Litigation Clinic	212-636-7353	C	Spanish
	New York	The Legal Aid Society LITC	212-426-3013	C	Spanish, Mandarin
OH	Syracuse	Syracuse University College of Law LITC	1-888-797-5291 315-443-4582	C	All languages through interpreter services
	Akron	Community Legal Aid Services LITC	1-800-998-9454 330-535-4191	B	Spanish; other languages through interpreter services
	Cleveland	Friendship Foundation LITC	216-961-6005	E	Kampuchean (Cambodian), Laotian, Spanish, Arabic, Vietnamese, Korean, Chinese
	Cleveland	Legal Aid Society of Cleveland LITC	1-888-817-3777 216-687-1900	B	All languages through interpreter services
	Columbus	Southeastern Ohio Legal Services LITC	1-800-837-2508 740-354-7563	C	All languages through interpreter services
	Columbus	LITC of the Legal Aid Society of Columbus	1-888-246-4420 614-241-2001	C	Spanish, Somali, Russian, American Sign Language; other languages through interpreter services
	Piketon	Community Action Committee of Pike County LITC	1-866-820-1185 740-289-2371	C	All languages through interpreter services
	Toledo	Advocates for Basic Legal Equality LITC	1-800-837-0814 419-255-0814	B	Spanish
	Toledo	Legal Aid of Western Ohio LITC	1-877-894-4599 419-724-0030	C	Spanish, Russian, Haitian Creole, American Sign Language
OK	Oklahoma City	The LITC at Oklahoma Indian Legal Services	1-800-658-1497 405-943-6457	B	All languages through interpreter services
OR	Gresham	Catholic Charities El Programa Hispano LITC	503-489-6845	B	Spanish
	Portland	Legal Aid Services of Oregon LITC	1-888-610-8764 503-224-4086	B	Spanish, Mandarin, Mixteco Bajo, Japanese; other languages through interpreter services
	Portland	Lewis & Clark Law School LITC	503-768-6500	C	All languages through interpreter services

State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
PA	Lancaster	Central Pennsylvania Federal Tax Clinic	1-800-732-0018 717-299-7388	B	Spanish
	Philadelphia	Philadelphia Legal Assistance Center, Pennsylvania Farmworker Project LITC	1-888-541-1544 215-981-3800	E	Spanish
	Pittsburgh	Jewish Family & Children's Services LITC for ESL Taxpayers	412-422-7200	E	Spanish, French, Portuguese, Burmese, Chinese, Korean, Somali, Russian, Nepalese, American Sign Language; other languages through interpreter services
	Pittsburgh	University of Pittsburgh School of Law Taxpayer Clinic	412-648-1300	C	Spanish; other languages through interpreter services
	Scranton	United Way of Lackawanna and Wayne Counties LITC	570-343-1267	E	Spanish, Bhutanese
	Villanova	Villanova University School of Law Federal Tax Clinic	1-888-829-2546 610-519-5173	C	Spanish; other languages through interpreter services
PR	Ponce	PathStone CDC Puerto Rico LITC	1-888-440-1716 787-812-4250	B	Spanish; other languages through interpreter services
RI	Providence	Rhode Island Legal Services LITC	1-800-637-4529 401-274-2652	B	Spanish
	Providence	Rhode Island Tax Clinic LITC	401-421-1040	B	Spanish
SC	Columbia	South Carolina Association of Community Action Partnerships LITC	1-888-722-4227 803-771-9404	E	Spanish; other languages through interpreter services
	Greenville	South Carolina Legal Services LITC	1-888-346-5592 803-744-9430	B	Spanish
TN	Memphis	Memphis Area Legal Services LITC	901-523-8822	B	Spanish
	Nashville	Conexion Americas LITC	615-269-6900	E	Spanish
	Oak Ridge	Tennessee Taxpayer Project	1-866-481-3669 865-483-8454	B	Spanish
TX	Bryan	Lone Star Legal Aid LITC	1-800-570-4773 979-775-5050	B	Spanish, Vietnamese; other languages through interpreter services
	El Paso	El Paso Affordable Housing LITC	915-838-9608	E	Spanish
	Ft. Worth	Legal Aid of Northwest Texas LITC	1-800-955-3959 817-336-3943	B	Spanish
	Houston	Houston Volunteer Lawyer's Program LITC	713-228-0735 713-228-0732	B	Spanish, Mandarin, Vietnamese
	Lubbock	Texas Tech University School of Law LITC	1-800-742-8037 806-742-4312	C	Spanish, Creole
	San Antonio	Texas Taxpayer Assistance Project	1-888-988-9996	B	Spanish, French; other languages through inter- preter services
UT	Provo	LITC - Centro Hispano	801-655-0258	B	Spanish, American Sign Language; other lan- guages through interpreter services
	Sandy	University of Utah LITC	1-888-361-5482 801-236-8053	B	Spanish
VA	Arlington	ECDC Enterprise Development Group LITC	703-685-0510 ext. 257	E	Spanish, Amharic, Vietnamese Tagalog, Arabic
	Lexington	Washington & Lee University Washington & Lee University School of Law Tax Clinic	540-458-8918 540-458-8918	C C	All Languages through interpreter services. All languages through interpreter services

State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
VT	Barre	Central Vermont LITC	1-800-639-1053 802-479-3304	B	All languages through interpreter services
	Burlington	Vermont Low Income Taxpayer Project.	1-800-747-5022 802-863-5620	C	All languages through interpreter services
WA	Seattle	University of Washington Federal Tax Clinic	1-866-866-0158 206-685-6805	B	French, Korean, Spanish
	Spokane	Gonzaga University Legal Assistance Federal Tax Clinic	1-800-793-1722 509-313-5791	C	Spanish, Other languages through interpreter services
WI	Milwaukee	Legal Action of Wisconsin LITC	1-855-502-2468 414-274-3400	C	Spanish
	Milwaukee	Legal Aid Society of Milwaukee Taxpayer Advocacy and Counseling Service	414-727-5300	C	None
	Wausau	Wisconsin Judicare LITC	1-800-472-1638 715-842-1681	B	Spanish, Hmong
WV	Charleston	Legal Aid of West Virginia LITC	1-866-255-4370 304-343-4481	B	Spanish; other languages through interpreter services
WY	Cheyenne	Legal Aid of Wyoming LITC	1-877-432-9955 307-432-0807	C	Spanish
	Jackson	Teton County LITC	1-888-310-6999 307-734-0333	E	Spanish

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## Appendix V: FY 2014 Taxpayer Advocate Service Operational Priorities

To meet its statutory mission as defined in Internal Revenue Code (IRC) §7803(c), the Taxpayer Advocate Service (TAS) developed three strategic goals and two strategic foundations to guide its leadership. TAS's three strategic goals are:

- Resolve Taxpayer Problems Accurately and Timely;
- Protect Taxpayer Rights and Reduce Taxpayer Burden; and
- Become a Known Taxpayer Advocacy Organization.

The two strategic foundations are:

- Enhance TAS Infrastructure to Improve Taxpayer Interaction; and
- Sustain and Support a Fully-Engaged and Diverse Workforce.

In support of these strategic goals and foundations, TAS identified fifteen (15) operational priorities. Operational priorities are short-term actions that aid the organization in achieving its mission.<sup>1</sup>

### Resolve Taxpayer Problems Accurately and Timely

*IRC § 7803(c)(2)(A)(i)*

*In general, it shall be the function of the Office of Taxpayer Advocate to—*  
*(i) assist taxpayers in resolving problems with the Internal Revenue Service.*

*IRC § 7803(c)(2)(C)(ii)*

*The National Taxpayer Advocate shall —*

*(ii) develop guidance to be distributed to all Internal Revenue Service officers and employees outlining the criteria for referral of taxpayer inquiries to local offices of taxpayer advocates.*

- **Operational Priority 2014-1** – In collaboration with the IRS, implement revised Operations Assistance Request (OAR) procedures in keeping with the Phase II OAR Study.
- **Operational Priority 2014-2** – Define and develop alternative approaches to systemic burden casework acceptance and assignment to allow the IRS the opportunity to resolve issues first, so long as taxpayers are not harmed by the process.
- **Operational Priority 2014-3** – Implement a multi-modal Case Advocacy Customer Comment System to allow for more robust and timely customer responses and the sharing of best practices.

<sup>1</sup> The TAS mission: As an independent organization within the IRS, we help taxpayers resolve problems with the IRS and recommend changes that will prevent the problems.

- **Operational Priority 2014-4** – Provide new or updated advocacy tools and guidance to address emerging issues.
- **Operational Priority 2014-5** – Develop, implement, and communicate TAS engagement activities, including new ways to communicate with the taxpayer (such as email to text, virtual services, traditional correspondence) and establish what customers can expect from TAS and what TAS expects from its customers when addressing tax issues with the IRS.

### Protect Taxpayer Rights and Reduce Burden

*IRC § 7803(c)(2)(A)(ii)–(iv)*

*In general, It shall be the function of the Office of Taxpayer Advocate to–*

- (ii) identify areas in which taxpayers have problems in dealings with the Internal Revenue Service;*
- (iii) to the extent possible, propose changes in the administrative practices of the Internal Revenue Service to mitigate problems identified under clause (ii); and*
- (iv) identify potential legislative changes which may be appropriate to mitigate such problems.*

- **Operational Priority 2014-6** – Proactively identify issues that may negatively impact taxpayer rights or burden; then, using a tiered research approach, develop alternative advocacy approaches to address the external and internal impact of these issues (e.g., research studies, advocacy projects, updated processing guidelines, etc.).
- **Operational Priority 2014-7** – Strengthen taxpayers’ understanding of their rights through the revision of Publication 1.

### Become a Known Taxpayer Advocacy Organization.

*IRC § 7803(c)(2)(C)(ii) and (iii):*

*The National Taxpayer Advocate shall –*

- (ii) develop guidance to be distributed to all Internal Revenue Service officers and employees outlining the criteria for referral of taxpayer inquiries to local offices of taxpayer advocates;*
- (iii) ensure that the local telephone number for each local office of the taxpayer advocate is published and available to taxpayers served by the office.*

- **Operational Priority 2014-8** – Develop new tools and use new technology to conduct outreach, education, and research with the goal of expanding awareness of TAS services, with special emphasis on emerging issues and TAS’s underserved population.

### Enhance TAS Infrastructure to Improve Taxpayer Interaction.

*IRC § 7803(c)(4)(B)*



*Maintenance of independent communications. Each local office of the taxpayer advocate shall maintain a separate phone, facsimile, and other electronic communication access, and a separate post office address.*

*IRC § 7803(c)(4)(A)(IV)*

*In general, Each local taxpayer advocate –*

*(iv) may, at the taxpayer advocate’s discretion, not disclose to the Internal Revenue Service contact with or information provided by such taxpayer.*

- **Operational Priority 2014-9** – Support IT and outside vendors in the development, testing and deployment of the Taxpayer Advocate Service Integrated System (TASIS), an efficient and integrated information technology system.
- **Operational Priority 2014-10** – Collaborate with the IRS to develop tools to help TAS employees advocate for taxpayers.
- **Operational Priority 2014-11** – Establish TAS protocol and archival procedures for TAS projects, task forces, and studies, including the establishment of a naming convention hierarchy for an organizational keyword database.

### **Sustain and Support a Fully-Engaged and Diverse Workforce.**

*IRC § 7803(c)(2)(C)(i) and (iv)*

*The National Taxpayer Advocate shall –*

*(i) monitor the coverage and geographic allocation of local offices of taxpayer advocates;*  
*(iv) in conjunction with the Commissioner, develop career paths for local taxpayer advocates choosing to make a career in the Office of the Taxpayer Advocate.*

- **Operational Priority 2014-12** – Establish a succession plan for TAS that leverages diversity, and adequately meets the HR component of TAS’s workload demands.
- **Operational Priority 2014-13** – Develop and test a multi-year strategic training plan that allows the organization to forecast training needs and provides an opportunity for employees to reach their full potential.
- **Operational Priority 2014-14** – Implement solutions identified in employee surveys and group meetings that improve the quality of employee work life.
- **Operational Priority 2014-15** – Define, develop, and test organizational measures or diagnostics for Systemic Advocacy, Case Advocacy, and TAP.

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## Appendix VI: 2010 TAS Symposium Technical Training Topics

Analyst (22 topics)	Cybersecurity Quality of Worklife – Stress: A Way or Fact of Life Communication and Presentation – Intermediate Critical Meaningful Analysis – Intermediate Data Intelligence for Improvement Thread Exercise 1 of 3 Data Intelligence for Improvement Thread Exercise 2 of 3 Data Intelligence for Improvement Thread Exercise 3 of 3 Excel – Data Analysis Tool Pack – Advanced Excel – Intermediate How to Be an Effective TAS IRM Author Learning to Think Office Communicator Project Management Opening Project Management 1 Project Management 2 Project Management 3 Project Management 4 Project Management Closing Report Writing – Advanced Statistical Concepts – Basic Use of Business Objects – Basic Using SharePoint – Basic
Case Advocate (23 topics)	Cybersecurity Quality of Worklife – Stress: A Way or Fact of Life Advocating a CAWR Case – Intermediate Advocating a Lien Case – Advanced Advocating a Lien Case – Intermediate Advocating a Penalty Abatement – Intermediate Advocating a TFRP Case – Intermediate Advocating a Wrong CSED – Intermediate Advocating in a Mixed Entity/Stolen ID/ScrSSN Case – Advanced Advocating in a Stolen ID Case – Intermediate Advocating Tax Abatements – Intermediate Advocating the First Time Homebuyers Credit – Intermediate Appeals Process – Advanced BMF Employment Tax Law – Basic BMF Multiple Employer Identification Numbers (EIN) – Advanced Business Entities (BMF) – Intermediate IT's IAT Tool Time OJI Workshop Pipeline Processing – Basic Questionable Refund Process Spanish Letter Workshop for First Time Homebuyer's Credit Tax Law Changes Health Care – Basic Time and Workload Management – Intermediate
Intake Advocate (10 topics)	Cybersecurity Quality of Worklife – Stress: A Way or Fact of Life Case Building for Intakes – Intermediate Case or Not a Case? – Intermediate Collection Issues – Advanced IDRS for Intake Advocates – Advanced Professional Communication – Basic Reading IDRS – Intermediate Who Works the Issues? – Basic Work to Become a Case Advocate – Basic

Manager (10 topics)	Cybersecurity Quality of Worklife – Stress: A Way or Fact of Life Doing an Operational Review EEO – Reasonable Accommodations for Managers Helping Employees Advance/LSR Labor Relations Nuts and Bolts Manager's Role in Advocating Performance and Conduct Issues Self-Assessment and Your Rating The Evaluation Process and Case Reviews
Support Staff (13 topics)	Cybersecurity Quality of Worklife – Stress: A Way or Fact of Life Be First in Line/Movin' On Up – Basic Can You Hear Me Now? – Basic e-trak Case Handling Field – Intermediate e-trak Case Handling HQ – Intermediate Just the Basics – Field Just the Basics – HQ Organize Time in a Bottle/Inside Outlook Record Retention – Advanced Time, Time, Time – Intermediate Travel Regulations – Intermediate Write It Right – Advanced
Technical Advisor – Campus (5 topics)	Cybersecurity Quality of Worklife – Stress: A Way or Fact of Life Control D – CTA IDRS Programming International for CTA
Technical Advisor – Revenue Agent (5 topics)	Cybersecurity Quality of Worklife – Stress: A Way or Fact of Life Employment Tax Issues Foreign Income Issues – RATA What's Hot – RATA
Technical Advisor – Revenue Officer (5 topics)	Cybersecurity Quality of Worklife – Stress: A Way or Fact of Life Appeals vs. Collection (CDP, CAP) – ROTA Judgments by the United States and Restitution TAO for ROTA
Number of Symposium Sessions Scheduled	219 workshops
Number of Symposium Workshop Topics	79 workshop topics

## Appendix VII: TAS Performance Measures and Indicators

### RESOLVE TAXPAYER PROBLEMS ACCURATELY AND TIMELY

Measure	Description	FY 2013 Target	FY 2013 Actual Mar Cum
Overall Quality of Closed Cases	Percent of sampled closed cases meeting timeliness, accuracy, technical, and communication measures.	90.3%	90.0%
Case Accuracy	Percent of sampled cases where the taxpayer's problems are resolved completely and correctly throughout all stages of the case, including action planning, TAS involvement, resolution of all issues, addressing of related issues, proper coding, and case factor identification.	88%	86.3%
Technical Requirements	Percent of sampled closed cases where all actions taken by TAS and the IRS are worked in accordance with the tax code, IRM, and technical and procedural requirements.	90.5%	88.6%
Recourse or Appeal Rights	Percent of sampled closed cases where either recourse, appeal rights, or both (if applicable) was explained if TAS did not provide requested relief.	97%	96.5%
Timeliness of Actions	Percent of sampled closed cases with timely actions on initial actions, initial contacts, TAO consideration, documentation, and case closure.	92%	91.8%
Communication	Percent of sampled closed cases where TAS effectively communicates information, requests information, provides appropriate apology, explanation, education, and complete (accurate) correspondence.	93.6%	93.9%
Error-Free Cases <sup>1</sup>	Percent of sampled closed cases with no errors on any of the quality attributes that comprise the TAS case quality index.	Indicator	12.9%
OAR Reject Rate	Percent of rejected requests for action to be taken by the IRS.	3.6%	3.4%
Customers Satisfied	Percent of taxpayers who indicate they are very satisfied or somewhat satisfied with the service provided by TAS.	88%	91%
Customers Dissatisfied	Percent of taxpayers who indicate they are somewhat dissatisfied or very dissatisfied with the service provided by TAS.	10%	8%
Solved Taxpayer Problem	Percent of taxpayers who indicate the Taxpayer Advocate employee did their best to solve their problems.	89%	91%
Relief Granted <sup>2</sup>	Percent of closed cases in which full or partial relief was provided.	Indicator	80.2%
Number of TAOs Issued	The number of Taxpayer Assistance Orders (TAOs) issued by TAS. <sup>3</sup>	Indicator	176
Median – Closed Case Cycle Time <sup>4</sup>	Median time taken to close TAS cases.	Indicator	64 days
Mean – Closed Case Cycle Time	Mean time taken to close TAS cases.	Indicator	89.6 days
Closed Cases per Case Advocacy FTE	Number of closed cases divided by total Case Advocacy full-time equivalents (FTEs) realized. (This includes all hours reported to the Case Advocacy organization except Field Systemic Advocacy).	121.0	125.5
Closed Cases per Direct FTE	Number of closed cases divided by direct Case Advocate FTEs realized.	303.0	308.1

1 Results for Quality and Error-free cases are as of February 2013; updated results not available at time of this report.

2 TAS tracks resolution of taxpayer issues through codes entered on TAMIS at the time of closing, and requires case advocates to indicate the type of relief or assistance they provided to the taxpayer. See IRM 13.1.21.1.2.1.2 (Mar. 31, 2011). The codes reflect full relief, partial relief, or assistance provided.

3 For additional information, see *Importance of the TAO*, *supra*.

4 This indicator does not include the number of days of reopened cases.

## PROTECT TAXPAYER RIGHTS AND REDUCE BURDEN

Measure	Description	FY 2013 Target	FY 2013 Actual Mar Cum
Accuracy of Closed Advocacy Projects	Percent of correct actions overall in accordance with statute and IRM guidance. This includes accurate identification of the systemic issue and proposed remedy.	97.5%	98.8%
Timeliness of Actions on Advocacy Projects	Percent of all projects with timely actions in accordance with IRM guidance, including contacting the submitter within three business days from assignment, issuing an action plan within 30 calendar days, and working the project with no unnecessary delays or periods of inactivity.	80.0%	75.0%
Quality of Communication on Advocacy Projects	Percent of projects where substantive updates were provided to the submitter on the initial contact and subsequent contacts, appropriate coordination, and communication took place with internal and external stakeholders, written communications follow established guidelines, and outreach and education actions taken when appropriate.	97.5%	100%
Accuracy of Closed Immediate Interventions	Percent of correct actions overall in accordance with statute and IRM guidance. This includes accurate identification of the systemic issue and proposed remedy.	N/A	100%
SAMS Issue Review Process Average Days to Complete	The median days to complete the SAMS issue review process. Source: SAMS	Indicator	Baseline
Internal Customer Satisfaction Survey (CSS)	A Systemic Advocacy (SA) CSS for IRS and TAS employees who submit issues to SAMS during the calendar year. Source: SA CSS	Indicator	64%
IMD Recommendation Made to IRS	A count of the IMD recommendations made to the IRS. Policy issues influenced due to TAS's IMD review and feedback. Source: SAMS	Indicator	429
IMD Recommendation Accepted by IRS	The percent of TAS's IMD recommendations accepted for implementation by the IRS. Policy issues influenced due to TAS's IMD review and feedback. Source: SAMS	Indicator	70.3%
Advocacy Efforts Resulting in a Recommendation	A count reflecting the number of recommendations made through advocacy efforts. An advocacy effort recommendation includes recommendations made by projects, task forces, and collaborative teams [excludes IMD]. Sources: SAMS, SharePoint	Indicator	Baseline
Advocacy Effort Recommendations Accepted by IRS	This is the percent of TAS advocacy effort recommendations accepted by the IRS. Sources: SAMS, SharePoint	Indicator	Baseline

### SUSTAIN AND SUPPORT A FULLY-ENGAGED AND DIVERSE WORKFORCE

Measure	Description	FY 2013 Target	FY 2013 Actual Mar Cum
Employee Satisfaction <sup>5</sup>	Percent of employees who are satisfied or very satisfied with their jobs.	80%	
Employee Participation	Percent of employees who take the questionnaire.	80%	
Continuing Professional Education (CPE) Evaluation <sup>6</sup>	Percent of employees who are satisfied or very satisfied with annual CPE.	72.2%	

Source: TAS BPR, 2nd Qtr FY 2013, Appendix D

<sup>5</sup> The annual Workgroup Questionnaire measures both participation and satisfaction.

<sup>6</sup> Due to budgetary constraints, TAS has conducted a virtual CPE each year since FY 2012. The CPE satisfaction rate was determined by aggregating the evaluations for all three levels of the 2012-2013 TAS Virtual Symposium. Results for 2013 are not yet available for satisfaction, participation, and CPE; however, results for FY 2012 are 77 percent, 61 percent, and 72.2 percent, respectively.

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## Appendix VIII: List of Advocacy Portfolios

Portfolio	Local Taxpayer Advocate Name	State/Office	Phone Number
Abusive Schemes/Refund Fraud	Michael Kenyon	North Dakota	701-237-8299
Accessing Taxpayers' Files	Jeraldine Todd	Missouri-Kansas City Campus	816-291-9019
Adoption Credit	Stephen Halker	Florida-Jacksonville	904-665-0523
Amended Returns	Gilbert J Martinez	Texas-Dallas	214-413-6520
Appeals - Examination Based Issues	Daniel Maiuro	California-Sacramento	916-974-5191
Appeals - Collection Based Issues	James Leith	Maryland	410-962-8120
Audit Reconsiderations	Ann Brunetti	Utah-Ogden Campus	801-620-3000
Automated Collection System [ACS]	Lois Lombardo	Pennsylvania-Philadelphia	215-861-1237
Bankruptcy	Andrew Mettlen	Pennsylvania-Pittsburgh	412-395-6423
BMF Information Reporting and Document Matching (IRDM/BMF) merged (CAWR/FUTA)	Chris Morell	New York-Brookhaven Campus	631-654-6687
Customer Account Data Engine (CADE)	Ann Logan	Utah-Salt Lake City	801-799-6962
Collection Statute Expiration Dates (CSEDs)	Stephanie Valencia	Colorado	303-603-4640
Collection/Allowable Living Expenses	James Spisak	New York- Manhattan	212-436-1010
Disaster Response and Recovery	Janice Washington	Mississippi	601-292-4810
Earned Income Tax Credit (EITC) Compliance	Marcie Harrison	New Jersey	973-921-4376
Electronic Tax Administration	Betty Martin	Tennessee-Nashville	615-250-6015
Employment Tax Policy	Wayne Garvin	Delaware	302-286-1545
e-Services	Tiffney Todaro	California-Oakland	510-637-3079
Examination Strategy	Dorothea Curran	California-Los Angeles	213-576-3016
Exempt Organization Outreach	Peggy Guinn	Missouri-St. Louis	314-612-4371
Exempt Organizations [Application Approval Processing]	Nancy Eyman	Ohio-Cincinnati	513-263-3249
Federal Levy Payment Program [FPLP]	Kristy Moquin	Connecticut	860-756-4550
Federal Tax Liens [Including Centralized Liens]	Gerard Pieger	Washington, DC	202-874-4280
Financially Distressed Taxpayers	Delphine Hensley	Oklahoma	405-297-4139
First-Time Homebuyer's Credit	Delia Lucas	Texas-Houston	713-209-4781
Fraud/Victim Assistance	Chastity Swantz	Arizona	602-636-9178
Health Care I [Individual]	Desiree Frierson	Kansas	316-352-7505
Health Care II [Business]	Selma Taylor	Illinois-Chicago	312-292-3801
Identity Theft	Deana Johnson	Kentucky-Covington Campus	859-669-4013
Individual Master File (IMF) Information Reporting and Document Matching [Automated Underreporter]	Lacrishea McClendon	Tennessee-Memphis Campus	901-395-1904
Indian Tribal Governments	Bill Wirth	New York-Buffalo	716-961-5393
Injured Spouse	Marsha Morgan	Kentucky-Louisville	502-572-2201
Innocent Spouse	Jane Knowles	Idaho	208-363-8845
Installment Agreement Processing	Tamara L Angeloff	Wyoming	307-633-0881

Portfolio	Local Taxpayer Advocate Name	State/Office	Phone Number
Interest Computation Issues	Teresa Thompson	Montana	406-441-1044
International Taxpayers	Daniel DelValle	Puerto Rico	787-522-1862
Identity Protection Specialized Unit (IPSU)-Identity Theft	Fred Benoit	Massachusetts-Andover Campus	978-247-9020
IRS Policy and Procedures on Accepting Electronic Taxpayer Records	Ardis Agosto	Louisiana	504-558-3003
IRS Training on Taxpayer Rights	Joe Zarrella	Massachusetts-Boston	617-316-2625
Individual Taxpayer Identification Number (ITIN) Outreach	Pamara Blount	Michigan	313-628-3664
ITIN Processing	Nancy Farthing	Texas-Austin Campus	512-460-4652
Levies	Bill Wilde	Arkansas	501-396-5820
Low Income Taxpayer Clinics (LITC)	Katrina Leifeld	Maine	207-622-8577
Math Error	Gwen Sonier	South Carolina	803-312-7842
Military Taxation Issues	Kristia Douts	Alaska	907-271-6297
Multilingual Initiatives	Juan Rolon	Texas-Austin	512-499-5970
Nonfiler Strategy [SFR and ASFR]	Joe Warren	Minnesota	651-312-7874
Offer in Compromise	Bernardita Tehrani	New York-Brooklyn	718-834-2210
Office of Professional Responsibility	Victor Juarez	Pennsylvania-Philadelphia Campus	267-941-2357
Offshore Voluntary Compliance Initiatives	Larry Hostottle	West Virginia	304-420-8659
Penalty Administration	Pam Bates	Illinois-Springfield	217-862-6348
Practitioner Priority Services	Lisa Szargowicz	Rhode island	401-528-1916
Processing Payments	Shelley Ashurex	Oregon	503-415-7030
Return Preparer Penalties	Sharen Greene	New York-Albany	518-427-5412
Returned/Stopped Refunds	Barbara A Johnson	Wisconsin	414-231-2391
Seizure and Sales	Terri Crook	Florida-Ft. Lauderdale	954-423-7676
Small Business Taxation and Burden Issues	Ron Freeland	Nebraska	402-233-7270
Taxpayer Assistance Centers (TAC Offices)	Bill Mezger	Washington	206-220-5704
TAS Confidentiality (IRC § 7803 (c)(4)(A)(iv)) and IRC § 6103	Joceline Champagne	New Hampshire	603-433-0753
Tax Exempt Entity Issues [Including government entities]	Tina Juncewicz	North Carolina	336-574-6213
Tax Forum Case Resolution Room	Connie Adams	California-Laguna Niguel	949-389-4790
Taxpayer Account Transcripts	Robert Fett	Vermont	802-859-1056
Taxpayer Compliance Behavior	Stephen Halker	Florida-Jacksonville	904-665-0523
Tip Reporting and Compliance	Karen Alvear	Nevada	702-868-5180
U.S. Territories & Possessions	Gayvial James	Hawaii	808-566-2927
Undelivered Mail	Jeraldine Todd	Missouri-Kansas City Campus	816-291-9019
Virtual Service Delivery	Robert Fett	Vermont	802-859-1056
Virtual Service Delivery	Bill Mezger	Washington	206-220-5704

## Appendix IX: Glossary of Acronyms

Acronym	Definition
- A -	
AC	Activity Code
ACA	Affordable Care Act
ACS	Automated Collection System
AIC	Automated Insolvency System
ALS	Automate Lien System
AM	Accounts Management
AMTAP	Accounts Management Taxpayer Assurance Program
AOIC	Automated Offer in Compromise
ARC	Annual Report to Congress
ASA	Average Speed of Answer
ASFR	Automated Substitute for Return
AUR	Automated Underreporter
- B -	
BMF	Business Master File
BOD	Business Operating Division
BOLO	Be On the Look Out
BPMS	Business Performance Measurement System
BSA	Bank Secrecy Act
BSP	Business Systems Planning
- C -	
CA	Case Advocate
CAA	Certified Acceptance Agent
CADE 2	Customer Account Data Engine 2
CAP	Congressional Affairs Program
CAS	Customer Account Services
CDP	Collection Due Process
CE&O	Customer Education and Outreach
CFF	Collection Field Function
CIS	Collection Information Statement
CIS	Correspondence Imaging System
CNC	Currently Not Collectible
COA	Certificate of Accuracy
COTS	Commercial Off The Shelf
CP	Computer Paragraph
CPA	Certified Public Accountant

Acronym	Definition
CPE	Continuing Professional Education
CRB	Customer Requirement Board
CRS	Congressional Research Service
CSED	Collection Statute Expiration Date
CSR	Customer Service Representative
CY	Calendar Year
- D -	
DCI	Data Collection Instrument
DDIA	Direct Deposit Installment Agreement
DIF	Discriminant Index Function
DLN	Document Locator Number
- E -	
EDCA	Executive Director Case Advocacy
EFDS	Electronic Fraud Detection System
EIN	Employer Identification Number
EITC	Earned Income Tax Credit
EO	Exempt Organizations
EP/EO	Exempt Plan/Exempt Organization
ERS	Error Resolution System
ESL	English as a Second Language
- F -	
FAQ	Frequently Asked Question
FATCA	Foreign Account Tax Compliance Act
FBAR	Report of Foreign Bank and Financial Accounts
FEC	Federal Election Commission
FinCEN	Federal Crimes Enforcement Network
FPLP	Federal Payment Levy Program
FTD	Federal Tax Deposit
FTE	Full Time Equivalent
FTHBC	First-Time Homebuyer Credit
FY	Fiscal Year
- G -	
GAO	Government Accountability Office
- H -	
HCTC	Health Coverage Tax Credit
HDHA	High Density Hispanic Areas
HHS	Department of Health and Human Services
- I -	

Acronym	Definition
IA	Installment Agreement
IA	Intake Advocate
ICS	Integrated Collection System
IDRM	Information Reporting and Document Matching
IDRS	Integrated Data Retrieval System
IDT	Identity Theft
IGM	Interim Guidance Memoranda
IGP	Information Gathering Project
IITA	International Individual Taxpayer Assistance
IMD	Internal Management Document
IMF	Individual Master File
IP PIN	Identity Protection Personal Identification Number
IPSU	Identity Protection Specialized Unit
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
IT	Information Technology
ITAP	Internal Technical Advisor Program
ITAR	Identity Theft Assistance Request
ITIN	Individual Taxpayer Identification Number
IVO	Integrity & Verification Operations (formerly Accounts Management Taxpayer Assurance Program (AMTAP))
- J -	
JCT	Joint Committee on Taxation
- L -	
LB&I	Large Business & International
LCA	Lead Case Advocate
LEP	Limited English Proficiency
LITC	Low Income Taxpayer Clinic
LOS	Level of Service
LTA	Local Taxpayer Advocate
- M -	
MeF	Modernized e-File
MOU	Memorandum of Understanding
MSP	Most Serious Problem
- N -	
N/A	Not Applicable
NFTL	Notice of Federal Tax Lien
NRP	National Research Program

Acronym	Definition
NTA	National Taxpayer Advocate
- O -	
OAR	Operations Assistance Request
OD	Operating Division
OIC	Offer in Compromise
OLS	Office of Online Services
OVD	Offshore Voluntary Disclosure
OVDI	Offshore Voluntary Disclosure Initiative
OVDP	Offshore Voluntary Disclosure Program
- P -	
PIC	Primary Issue Code
POA	Power of Attorney
PMO	Project Management Office
PPA	Pension Protection Act of 2006
PPIA	Partial Payment Installment Agreement
PPS	Practitioner Priority Service
PRO	Problem Resolution Officer
PRP	Problem Resolution Program
PRWVH	Pre-Refund Wage Verification Hold
PSP	Payroll Service Provider
PTIN	Preparer Tax Identification Number
PTS	Product Tracking System
Pub. L. No.	Public Law Number
- Q -	
Q&A	Question & Answer
QRDB	Quality Review Database
QRP	Questionable Refund Program
Qtr	Quarter
- R -	
Rev. Proc.	Revenue Procedure
RC	Reason Code
RCD	Requested Completion Date
RDD	Random Digit Dialing
RICS	Return Integrity and Correspondence Services
RO	Revenue Officer
RRA 98	IRS Restructuring and Reform Act of 1998
RRP	Return Review Program
RSED	Refund Statute Expiration Date

Acronym	Definition
<b>- S -</b>	
S. Comm.	Senate Committee
SA	Systemic Advocacy
SAMS	Systemic Advocacy Management System
SB/SE	Small Business/Self-Employed Division
SE	Self Employed
SERP	Servicewide Electronic Research Program
SEVP	Student Exchange Visitors Program
SLA	Service Level Agreement
SME	Subject Matter Expert
SPDER	Servicewide Policy, Directives, and Electronic Research
SPEC	Stakeholder, Partnerships, Education, and Communication
SPOC	Single Point of Contact
SSA	Social Security Administration
SSN	Social Security Number
Stat.	Statute
<b>- T -</b>	
TAC	Taxpayer Assistance Center
TAD	Taxpayer Advocate Directive
TAGM	Taxpayer Advocate Group Manager
TAMIS	Taxpayer Advocate Management Information System
TAMRA	Technical and Miscellaneous Revenue Act of 1988
TAO	Taxpayer Assistance Order
TAP	Taxpayer Advocacy Panel
TAS	Taxpayer Advocate Service
TASIS	Taxpayer Advocate Service Integrated System
TBD	To Be Determined
TBOR 1	Taxpayer Bill of Rights
TBOR 2	Taxpayer Bill of Rights 2
TC	Transaction Code
TEDS	Tax Exempt Determination System
TE/GE	Tax Exempt and Government Entities division
TFRP	Trust Fund Recovery Penalty
TIGTA	Treasury Inspector General for Tax Administration
Treas. Reg.	Treasury Regulation
TY	Tax Year
TTY	Text Telephone
TWG	Technical Working Group

Acronym	Definition
- U -	
UPC	Unpostable Code
U.S.	United States
USTC	United States Tax Court
- V -	
VITA	Volunteer Income Tax Assistance
VSD	Virtual Service Delivery
- W -	
W&I	Wage & Investment







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